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Central Eurasia
SUPPLEMENT
Economic Review

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Russia International Affairs

*Rybkin on Funds Accumulated Illegally Abroad

954E0846A Moscow EKONOMIKA I ZHIZN in Russian No 14, Apr 95 p 1

[Interview with Ivan Rybkin, chairman of a chamber of the Russian Parliament, by A. Kapkov of the State Duma Press Office specially for EKONOMIKA I ZHIZN under the heading "Topic in the News: Amnesty for the 'New Russians'"; place and date not given: "'We Could Attract Three Revenue Sides of the Budget'"]

[FBIS Translated Text] **Many politicians are today supporting the idea of an amnesty for the so-called "new Russians" and a return to Russia of the capital that has fled abroad. This idea was expressed repeatedly since the very start of the organization of the State Duma by its chairman Ivan Petrovich Rybkin. Subsequently the corresponding State Duma decree was prepared with his support and direct participation. The decision has not acquired the force of law as yet, the process has not gained momentum, and the bulk of "new Russians" have opted for a wait-and-see position. What needs to be done to revitalize the situation and get it moving legally? The chairman of a chamber of the Russian Parliament answers these questions.**

[Kapkov] Ivan Petrovich, how realistic is the idea of the proposed amnesty, and what kind of criterion of the "purity" of the money infused into the economy do you see? Does the amnesty itself not pursue the utilitarian end of "scoring points" in the upcoming election campaign? And, most important, where are the guarantees that there will not be a repetition of the nationalization of the returned capital, where are the guarantees of the financial and personal safety of the "new Russians"?

[Rybkin] I believe that the supporters of this idea are very far removed from the goal of scoring points in the upcoming election campaign. Were the least possibility of a return of those $100 billion that are now outside of Russia as a result of the flight of capital to appear, all political considerations in society could be dropped, and one could even remain aloof from the political struggle. There would be nothing to fight against in this case. If $100 billion could be given the economy of Russia now, many of the problems on whose account there is such bitter antagonism in politics, and in other spheres of our life also, would be resolved automatically. Automatically!

I am talking today, therefore, about some transgressions, not criminal, naturally, including in respect to the acquisition of newly earned capital which is still in Russia, being at a certain stage consigned to oblivion. It is no secret, after all, that $30 billion lie, if you'll excuse the expression, in stocking-tops, and we simply cannot put them to use. Is this not a problem?!

So, we are talking about $130 billion approximately. I would remind you that, according to the budget that has been voted, its revenue side is composed of roughly 200 trillion rubles [R]. Consequently, $130 billion multiplied by the current price of the ruble would mean no more, no less than, essentially, three annual revenue sides of the budget. This is what we are talking about.

And I would like to remind you that the legislator has to be smarter and more subtle in realization of the set goal on this issue. We need to be talking about tax holidays for many spheres of the economy and many social strata. And to make up our minds to this we need to have a certain political will.

We could, of course, reduce ourselves to penury in our sluggish fury. But we could take an intelligent look at the situation also. Literally a dozen years ago Brazil and Argentina, say, were experiencing the same horrifying, depressing flight of capital. Approximately $60 billion of theirs sank into oblivion. But ultimately they moved to adopt tax holidays and authorized the nondeclaration of income for a certain interval of time.

As a result all the capital has returned to the economy of Brazil, Argentina, and other Latin American countries. Returned to the benefit of its countries. And they are gradually moving toward the prosperous category, particularly Brazil. Do we not have sufficient good sense to also resolve the same problem in civilized and skilled fashion.

And the guarantee is the simplest: nondeclaration of income for a particular period of time. Granting the possibility of the investment of capital in the native economy. Avoiding the desire to wield power and exact vengeance. And then everything would be as it should be.

[Kapkov] Do you not think that as a result of an influx of capital from abroad there could be a change in the political situation in Russia? And to what extent might it influence the fate of the country?

[Rybkin] Just one thing can be seen behind this question: We are as yet experiencing exaggerated fears as regards an influx of capital from abroad. But I do not believe that policy would be drawn into the process of the return of capital. This influx is not such as might be wished. But the outflow today is all too great. Recent estimates indicate that, considering the servicing of our debts, we will, probably, on the basis of this year's results be owing $130 billion. But on the other hand, "third countries" owe us approximately $165 billion. These two problems are interconnected.

[Kapkov] How are th[illegible] to be resolved?

[Rybkin] I have me[illegible] with representatives, more precisely, emissaries of African states repeatedly. We have held detailed conversations on the entire range of problems. They are being raised by elders of Africa's diplomatic corps also. But recently, if you can imagine it, they have been saying: "What if you, Mr. Rybkin, together with the president, the prime minister, and the chairman of the Federation Council were to decide the question of

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forgiveness of our debts to you?" And this is being said, without the least shame, by representatives of, so to speak, largely prosperous countries. But why, pray, should we grant an indulgence?! I, for example, am a supporter of the resolute collection of the debts. And if we cannot settle this problem ourselves, there should then be a proxy agency. Let them be recovered where this is possible. And although this is not the best solution for Russia, we also, when we are shown so, to put it mildly, dependent an attitude, should act in stricter and more balanced fashion.

I am not a supporter of us standing open-mouthed, if you'll excuse the expression, when it is proposed that debts be paid. I was very upset to hear, for example, while I was in India that had since January India been prepared to pay Russia $1 billion. It owes us over $7 billion. But lacking the possibility of paying in cash, it proposed that we accept the debt in products. And it offered a large list: tea, coffee, and medication worth a large amount, unique medication prepared from vegetable or other valuable extract, what is more. And we were slow. Tobacco, remember, was in short supply. Our tobacco factories were standing idle until this conflict was resolved by the decisive intervention of the president and the prime minister, until large-scale contracts were concluded. It is good that a list of commodities that Russia wants has today been provided. I gave a reminder of this in January of last year, the business visit to India took place only in mid-November. Up to this time no use was made in Russia's economy of the opportunities afforded by India. Such losses of momentum are simply impermissible.

[Kapkov] What can you say about the attraction to Russia of capital with the aid of offshore companies?

[Rybkin] On the one hand there are serious underpinnings for such a policy. After all, all offshore offices are set up in order to conceal the real owner and his financial resources. On the other hand, a refusal to embody such projects is economically detrimental to Russia's interests. After all, it is always pleasant to obtain taxes and jobs for free and, in addition, thanks to the invested dollars, to speculate on a rise in the exchange rate of the ruble. It is essential to find a solution here, and it is suggested by world practice.

We may recall, for example, the kind of distinctive situation that had taken shape in France after World War II. French capital, which in the war years had been kept in the part that was unoccupied, in the colonies, and in international banks, by no means rushed back to the metropolis, owing to the communists in the government. Only after their departure was an indulgence obtained for repatriated capital. China took a close route as of the mid-1970's: It opened up its borders for the investments of Chinese who are not citizens of the PRC. A similar approach was demonstrated in Poland. But the drawback of this practice is that it puts the foreign investor in a privileged position over the Russian entrepreneur who would like to live and work in Russia. This is why the best option for our economy from all viewpoints is a declared amnesty for the "new Russians." The times themselves are affording us this opportunity, and we should take advantage of it prudently, honestly and, most important, in good time.

*1995 Foreign Trade Performance Forecast

954E0796C Moscow EKONOMIKA I ZHIZN in Russian No 11, Mar 95 p 9

[Novosti Russian News Agency article: "Foreign Economic Activity of Russia in 1995"]

[FBIS Translated Text] **The far abroad**

Foreign trade turnover is forecast in a volume of around $80 billion ($14.6 billion in the first quarter), which exceeds the 1994 level by 3.8 percent.

The overall volume of exports is estimated at about $50 billion (around $9.8 billion in the first quarter) which is an increase of 2.3 percent over last year's volume. At the same time the physical volume of exports is stabilizing or growing insignificantly, and the growth is expected mostly because of a rise in world prices on goods supplied from Russia. The basis of Russian exports will consist of raw and other materials as in previous years (82.3 percent of the overall volume), with a 5.9 percent share of machinery and equipment.

The overall volume of imports is estimated to be about $30 billion ($4.8 billion in the first quarter) with a growth rate of 6.4 percent. In addition to that the possible import of goods from abroad by private individuals for private trade is predicted as in 1994 (according to estimates by various experts its volume may amount to $4 to $6 billion a year). In the overall volume of imports raw goods and materials will account for 65.7 percent, while the share of machinery and equipment is estimated to be about 30.7 percent.

Near abroad

It is possible to assume that mutual commodity turnover of the Russian Federation with CIS countries in 1995 will come to $16 to $18 billion; that is, it will decrease in comparison with 1994 by 20 to 30 percent. As in all of the recent years trade will be unbalanced; export of products from Russia will exceed imports.

Conclusion of bilateral intergovernmental agreements on trade and economic cooperation in 1995, carried out in accordance with the decree of the Russian Government of 7 February 1994, is a matter of primary importance.

Legal basis

Work will be continued in the sphere of foreign economic activity to perfect and develop the standard and legal basis for the purpose of providing state support for

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enterprises, branches, and regions, and federal and specific-purpose programs, as well as for the stimulation of export-import operations. One of the primary tasks in that field is perfecting the system of customs-banking currency control for timely and full receipt of proceeds from exports. Authorized banks must become the initial link in that scheme, as agents of currency control, while contract deadlines for receipt of currency proceeds must be the subject of such control. It is necessary for the authorized banks to inform currency control organs, in a legislative order, regarding all cases involving delays in receipt of currency proceeds according to the deadlines established by export contracts.

Ruble Exchange Rate Shows Currency Situation 'Calmer'

MM1304104195 Moscow IZVESTIYA in Russian 13 Apr 95 p 1

[Report by Ivan Zhagel from the "From Our Correspondents and New Agencies" column: "Exchange Rate of the Dollar: 11 April—4,991; 12 April—5,008"]

[FBIS Translated Text] The exchange rate of the Russian national currency has breached yet another psychological barrier, and now stands at 5,008 rubles to the dollar. The correlation of the inflation rate and the change in the currency exchange rate is interesting: Whereas the former indicator was respectively 17.8, 11, and 8.9 in January, February, and March, the latter was 13.4, 10.2, and 8.9 percent. In other words, the situation in the currency market is calmer than in the financial market as a whole.

The most important point is that all those involved in currency transactions have believed in this stabilization. It is no accident that futures prices have fallen significantly of late. For a dollar which will be sold in July-August people are paying less today than, say, two weeks ago.

*Monetary Crisis in 1995 Seen as Unavoidable

954E0830B Moscow IZVESTIYA (Finansovyye Izvestiya supplement No 21) in Russian 28 Mar 95 p 4

[Article by Igor Doronin, market conditions advisor of the Moscow International Currency Exchange: "We Will Be Unable To Avoid a Monetary Crisis This Year"]

[FBIS Translated Text] The increased money supply ["denezhnaya massa"] in Russia is the result of three factors. First, the Central Bank credits to the government to finance budget expenditures not covered by tax receipts, that is to put it simply, to finance the budget deficit.

Secondly, Central Bank credits to commercial banks—refinancing credits.

Thirdly, credits to the CIS states related to their trade deficit with Russia.

The relative role of these sources of growth in the money supply changed during 1992-1994. In 1992 the main factor was credits to the near abroad. Measures taken in 1993 to put credit relations with these states in order largely helped close off this channel of inflation. In 1994, according to some estimates, the volume of credit financing of the state budget by the Central Bank exceeded the volume of credits to commercial banks two times over.

The sources of advancement of credit enumerated enlarged the monetary base, which was the basis for the money supply to increase and inflation to gather momentum. For Russia the relationship between the money supply and the monetary base, the monetary multiplier, remained relatively constant throughout 1993-1994 and ranged from 1.7 to 1.9.

Deficit financing had a major impact not only on the dynamics but on the structure of the money supply for more than 3 years, since the basic difference between money issued and credit money is that the former gets stuck in money turnover and steadily accumulates.

One of the consequences of deficit financing is the substantial volume of the cash money supply; its proportion rose faster than other components of the money supply. The reason for this growth is money emission, a considerable part of which goes to pay wages to employees of budget organizations and workers of state enterprises. The volume of cash money in circulation is an indicator not only of the "degree of development" of the Russian banking system, the level and quality of banking services, and clients' trust in Russian banks, but also the obvious disadvantage of putting monetary means in banks, where the level of interest on deposits overall does not offset money depreciation caused by inflation. We must in addition certainly acknowledge that a considerable part of the cash money has been drawn into the "shadow" economy, in particular helping enterprises and organizations evade paying taxes.

During the last several years, the government has adopted a considerable number of decrees dealing with restricting the scale of cash turnover. Among them are the decisions on settling accounts on a noncash basis for payments where sums are higher than set amounts; on setting limits on the cash balance in the till at enterprises and establishing a procedure for handling cash payments at an enterprise; and on including noncash account settlements in payment transactions and reducing requirements to use cash there, and so forth. However, the constant pumping of money into the economy made these decisions ineffective.

The problem of limiting the emission of money and accordingly checking inflation remains one of the basic points of relations of Russia's government and the Central Bank with the IMF. In 1993 the government pledged to adhere to the ceiling on quarterly increases in the emission of money. In 1994 the upper limit of net credits to the expanded government was determined. In

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1995 the IMF made requirements much tougher. The statement by the government and the Central Bank of Russia [TsBR] on economic policy in 1995 established upper limits on the net internal assets of the monetary authorities and upper limits on the net demands made by the monetary authorities on the federal government, which actually eliminates the possibility not only to offer direct credits to cover the budget deficit, but also to offer centralized credits in general.

We can thus establish that in 1995 the main channels of monetary emission, which until recently served as the main source for enlarging the monetary base and the money supply, were practically blocked. However, this does not mean that their enlargement must stop altogether.

The enlargement of the monetary base and accordingly the supply of money in 1995, according to that same statement, will be determined by TsBR policy on granting credits to commercial banks, TsBR transactions involving state securities on the open market, and in addition TsBR interventions (the purchase or sale of hard currency) on the currency market. Here credits to commercial banks (refi ancing credits) granted by TsBR will be made only through auctions and other market mechanisms. In 1995 operations to rediscount promissory notes and offer collateral credits and REPO operations using state securities issued under market conditions should become more common.

The question is whether these sources of noninflationary enlargement of the monetary base will be able to satisfy the economy's need for money, or if Russia is to face a monetary crisis in 1995. Fundamentally expanding credit and issuing credit money would help avoid the crisis. But we should not count on that now. The necessary economic conditions are lacking and the consequences of the slowdown in the rate of reforms in previous years and the narrow normative base will have an effect. In addition, we must not disregard such unresolved problems as the periodically worsening crisis in enterprise solvency, the large volume of hopeless debts accumulated by certain banks, above all the former specialized banks, the financial instability of most Russian enterprises, which complicates the position of commercial banks, and so forth.

In our opinion, we will be unable to avoid a monetary crisis in one form or another in 1995.

Given deficit financing, chronic inflation, and falling confidence in the ruble, acquiring and accumulating hard currency has become one of the most common methods of insurance against depreciation of the Russian ruble. In these conditions the currency market operated, with a few exceptions, virtually in one direction—it provided the population, enterprises, and banks with hard currency. The constant budget emission accompanied by more and more rubles put into circulation created circumstances for an endless demand for hard currency.

The Central Bank's actions on the currency market focused on quelling the fluctuations in the foreign exchange rate amounted mainly to selling hard currency and buying rubles on the currency market. According to our estimates, net purchases of rubles for hard currency came to around R1.6 trillion in 1993, and slightly more than R11 trillion in 1994. It is difficult to detect any relationship between the volumes of purchases of rubles by the Central Bank and the change in the indicators of the monetary base based on months; but even so in the "peak" periods of demand for hard currency, one could observe a decline in the volume of capital in commercial banks' correspondent accounts in the Central Bank (as a result of commercial banks' buying hard currency on the currency market) and an increase in cash in bank cash departments (as a result of the banks' selling hard currency to the population). In any case, we can assert that in conditions of deficit financing the currency market played a stabilizing role, though a very limited one.

Table 1. Volume and Structure of Russia's Monetary Base at the End of the Quarter in 1992, 1993, and 1994 (in trillions of rubles)

Item	1992	1993				1994			
	4th Quarter	1st Quarter	2d Quarter	3d Quarter	4th Quarter	1st Quarter	2d Quarter	3d Quarter	4th Quarter
Overall	4.3	4.5	9.2	14.6	15.3	26.1	36.8	48.0	59.0
Including									
1. Cash Nonfinancial Agents Have	1.7	2.6	5.1	8.4	10.8	15.1	22.7	28.2	38.6
2. Mandatory Reserves of Commercial Banks on Account at TsBR	0.5	0.7	1.1	1.9	1.9	2.7	3.6	5.4	6.9
3. Capital of Commercial Banks	2.1	3.0	3.0	4.3	6.3	7.4	8.7	11.7	13.5
a) Capital in Correspondent Accounts in the TsBR	2.0	2.8	2.8	3.8	5.7	6.6	7.7	10.1	11.7

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Table 1. Volume and Structure of Russia's Monetary Base at the End of the Quarter in 1992, 1993, and 1994 (in trillions of rubles) (Continued)

Item	1992	1993				1994			
	4th Quarter	1st Quarter	2d Quarter	3d Quarter	4th Quarter	1st Quarter	2d Quarter	3d Quarter	4th Quarter
b) Cash in Commercial Banks' Cash Departments	0.1	0.2	0.2	0.5	0.6	0.8	1.0	1.6	1.8
Enlargement of Monetary Base (as percentage of level of previous quarter)	—	4.6	104.4	58.7	4.8	70.6	41.1	30.4	22.9

Source: The author's calculations and estimates based on current information.

Table 2. Structure and Dynamics of Money Supply (M2) at the End of the Quarter in 1992, 1993, and 1994 (in trillions of rubles)

Item	1992	1993				1994			
	4th Quarter	1st Quarter	2d Quarter	3d Quarter	4th Quarter	1st Quarter	2d Quarter	3d Quarter	4th Quarter
Money Supply (M2)	7.2	10.9	16.2	25.9	34.2	43.9	65.8	85.9	98.6
Including (in percentages):									
Proportion of Cash Money	23	24	31	32	32	34	34	33	33
Proportion of Noncash Money*	77	76	69	68	68	66	66	67	67

*Capital in clearing and current accounts, bearer deposits in Sberbank [Savings Bank], term deposits in Sberbank, and deposits in commercial banks.

Source: The author's calculations and estimates based on current information.

The situation on the currency market in 1995, assuming the government strictly adheres to obligations concerning noninflationary financing of the budget deficit, may undergo substantial changes. Ending the policy of money emissions will eventually lead to a situation where supply and demand on the currency market are equal and to a slower rate of increase in the exchange rate of the dollar. Checking the inflation rate will help reduce interest rates on credits and profitability on short-term government bonds.

The shortage of ruble capital at enterprises and banks will increase under noninflationary financing. A carefully considered currency and monetary-credit policy is needed to alleviate it. First of all the relative shortage of capital can be offset by increasing the rate of turnover of money. The substantial volume of cash money is acting as a brake now. The attraction of cash money to bank accounts, investments in securities, and the like must be encouraged. An appropriate interest policy as well as offering guarantees on deposits in banks would be a great help.

A flexible currency policy focused on encouraging hard currency owners to sell that currency could be another source for alleviating the money shortage. This will become possible when the level of confidence in the stability of the course of financial stabilization is high enough and in addition when definite incentives are created. For example, the relative profitability on ruble and hard currency assets seems important, and the preference of ruble assets over hard currency ones should be obvious.

It will also be necessary to be flexible in relation to the norm for mandatory sale of hard currency receipts from exports. Once again this norm should be raised when the supply of hard currency is higher than demand on the currency market on a stable basis.

It is extremely important for the government and the Central Bank to clearly define their position on the question of the foreign exchange rate of the ruble too. In our opinion it is better to have a stable market exchange rate than a fixed one, since even the minimal inflation which the government is targeting still exceeds the level of developed states. Sooner or later a fixed rate will have to be changed, and waiting for the change will create excessive tension on the currency and monetary-credit market.

The statement of the Central Bank and the government can be interpreted and the chances for success of the policy drawn up evaluated in different ways. But we must certainly acknowledge the objective need for the adopted measures, which will undoubtedly be a stimulus for further market transformations.

*Government, Central Bank on 1995 Economic Policy

954E0790A Moscow KOMMERSANT in Russian No 10, 21 Mar 95 pp 9-13

[Article by Dmitriy Grishanov, Nikita Kirichenko, Yelena Makovskaya, Aleksandr Privalov, and Andrey

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Shmarov under the rubric "Economic Policy for 1995": "Now We Can Forecast Inflation, the Exchange Rate, Interest Rate, State Bonds' Yield, and Taxes: Russia Received $6.5 billion, and the Government and Central Bank Have Signed a Statement on Economic Policy for the Current Year"]

[FBIS Translated Text] *"One can accomplish a lot if one does not have to do what he has to do."—Stefania Grodziensky.*

You Gave Your Word—Keep It

On 10 March the government and the Central Bank solemnly signed a joint agreement on economic policy for 1995 (like the previous analogous statement, which KOMMERSANT reported on in issue No. 44 for 1993, this one was prepared for the IMF and is a translation from English). The statement represents Russia's commitment to the IMF, fulfillment of which will enable the country to actually receive a $6 billion loan from this organization.

According to Dmitriy Tulin, the recently appointed IMF executive director representing Russia, money for the RF [Russian Federation] will be issued on a monthly or quarterly basis and will be predicated on the results of economic monitoring carried out by the Russian side. The first—April—installment apparently will represent a two-month amount.

This loan has already been included in the revenue part of the budget and is intended to keep the budget deficit at the level, which, in the estimates of the Central Bank, the government, and the IMF, will permit inflation in 1995 to be brought down to an annual average of 4 percent. Let us recall that over the first two months inflation was at 33 percent. If we assume that its rate will decline linearly, from this point on its rate should be declining by 0.4-0.5 percentage point a month—to 1 percent in December.

The commitment the IMF demanded of Russia boiled down to a score of strict measures in the monetary, tax, foreign exchange, and structural spheres, aimed at searching for noninflationary sources of financing state expenditures. The document is written in a very consistent key. A sort of "valve" system is organized for state finances, which envisages movement of money in only one direction—into the budget: on one hand, no state subsidies, no preferences, no state credits or state debt at other than the market interest rate; on the other—we organize a sell-off of state enterprises, state- owned blocks of stocks, and land.

The statement emphasizes that the official exchange rate will remain floating, that is, not fixed.

It is most likely that the government and the Central Bank will conscientiously try to implement these measures—for three reasons. First, achieving a low rate of inflation, albeit with outside help (including on credit), and subsequently a chance for financial recovery and a pick-up of investment activities, is by itself worth the effort. Second, as we already mentioned, the IMF will monitor these measures. Third, although in themselves measures are tough, in the context of the current reforms they are logical and make sense. It is quite permissible to dispense with them, of course, but within the framework of a different economic concept.

Therefore, it is quite logical to ask the question: How will all these measures affect the economic and business situation? Our calculations show that they will, and quite seriously—both in individual aspects and in the economy as a whole.

But before looking at particular consequences of the promised policy, let us deal with its central point.

A Coincidence That Proved Decisive

We noticed a remarkable coincidence of two amounts: The increase in foreign currency reserves promised by the statement is almost identical in value to the IMF loan. Why such a sudden coincidence?

We turned for comments to Aleksandr Potemkin, director of the Central Bank's foreign operations department, and asked him to first of all explain the term "gold and currency reserves," which we are not very accustomed to. The following commentary may perhaps seem too specialized for some, but in reality it tells us some extremely interesting things.

Mr. Potemkin noted that "this notion by itself became applicable to Russia relatively recently. When Russia joined the IMF in 1992, it undertook the obligation to make available information on a score of indicators characterizing the monetary and foreign exchange spheres and economic relations with nonresidents. One such indicator in IMF methodology is gold and currency reserves, which include gold bullion in standard bars, as well as highly liquid foreign assets in freely convertible currency (foreign currency reserves) owned by monetary regulation organs."

As follows from its name, reserves consist of gold and foreign currency components. "We count in our calculations the metal that at that point actually belongs to the Minfin [Ministry of Finance] or the Central Bank," Aleksandr Potemkin explained. "If the metal is being used in international swaps, or is encumbered and used as collateral for foreign currency received, it is counted in the foreign currency part. In addition, according to international rules, other metals—for instance, silver and platinum produced in Russia—are not counted as part of gold reserves. They become a kind of additional reserve for it, which remains invisible in these statistics."

Mr. Potemkin emphasized that the strictness of international methodology permits only highly liquid funds to be counted as part of the foreign currency reserves. A mandatory condition is that these funds be placed in

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highly sound institutions where the risk is minimal, that is, those in the highest category of soundness by international rating classifications.

Therefore, for instance, Minfin money in foreign currency accounts in Russian banks cannot be counted as part of the reserves: First, funds in the accounts of resident banks are not supposed to be counted as foreign currency reserves; and second, even without this rule, according to international rating classifications, our banks do not even remotely approach even the lowest categories of world classification either by residual funds or by degree of risk. In this case, this is not so much the banks' problems as it is a risk factor of Russia itself and the poor state of its economy.

Therefore the Central Bank, according to Aleksandr Potemkin, places some funds in the accounts of central banks of other countries. Their soundness, especially of the national banks of the "Seven," is a priori superior to that of any first-rate commercial bank.

A special question is in what foreign currencies to place national reserves. Quite often in discussing Russia's reserve policy the following logic is used: When Russia places its funds in U.S. dollars, the logic goes, it provides a loan to the American economy; when our country places funds in German Government bonds, it is directly financing the government of that country. Aleksandr Potemkin considers such logic faulty. "When we are talking about national reserves, we should discard this sort of political reasoning and act on the basis of economic expediency and security of the funds," he says.

An extremely important rule that guides the central bank of any country is placing foreign currency reserves into a foreign currency that is considered a reserve currency in relation to the national one. For instance, the German mark (DM) is considered a reserve unit in relation to other European currencies, and therefore European countries prefer to keep their reserves in DM. What then does Germany have to do in this respect? Respectively, it selects as reserve money a currency of a higher order than its own: the American dollar. This, by the way, strengthens the position of the mark as a reserve currency for neighboring countries. For its part, the United States see gold as a higher order money, and therefore the foreign currency part of U.S. state reserves is smaller than the metal one.

"With this rule in mind, with all due respect to CIS and Baltic countries, we cannot include their currencies (even though they may be highly profit-yielding) among reserve currencies," explained the Central Bank representative. "Moreover, keeping in mind the economic situation of the former USSR countries, I would venture to say that they are doomed to use the American dollar as the reserve foreign currency and to keep between 60 and 90 percent of their reserves in this currency."

The next key argument in choosing a reserve currency is evaluation of the liquidity of this currency's market. "Let us say, the Central Bank of Russia," expounds Aleksandr Potemkin, "has to conduct major interventions against its national currency in the domestic foreign exchange market. Between $200 million and $300 million a day. This means that within a very short period of time the Central Bank will need to convert income-producing assets into money. If you liquidate in one move this amount of your money invested in treasury bills of an average-size European country, you will immediately throw the market into a tailspin by causing a drop in prices for these government securities. When it comes to American Government securities, however, keeping in mind that the United States' state debt is in the trillions, the hundreds of millions needed by Russia are only a small part of the total." Therefore, similar to other state banks, the Russian Central Bank keeps a considerable part of its foreign currency reserves in U.S. and German Government securities. In terms of yield they are comparable to keeping money on deposit, and in terms of liquidity they are a more convenient instrument.

[begin box]

RF Gold and Currency Reserves in 1994 ($ billion)

	01/01	04/01	07/01	10/01	12/31
Gross assets*	8.9	7.6	10.5	6.7	6.5
Foreign currency reserves	5.8	4.6	8.0	4.2	4.0
—special borrowing rights	0	0	0.9	0.3	0
—reserve position in the fund	0	0	0	0	0
—other reserves foreign currency assets	5.8	4.6	7.2	3.8	4.0
Gold (tonnes)	317	315	255	368	262
Foreign liabilities included in calculations of net international reserves	2.5	2.6	4.2	4.2	4.2
Net international reserves	6.4	5.1	6.3	2.5	2.2

Recalculations into dollar equivalent are based on the Bank of Russia foreign currency exchange rate to the ruble on the reporting date.

* Gross assets include gold at a standard price of $300 per troy ounce.

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Commenting on the indicators of Russia's gold and currency reserves in 1994, Aleksandr Potemkin noted that the peak in foreign currency reserves accumulation in August is a result of the state receiving a scheduled loan installment of $1.5 billion and a certain stabilization in the domestic foreign exchange market. The fluctuations in the value of gold reserves are due to the special position of Russia as an exporter of the yellow metal, and depend on the period of its production or sales. "Net international reserves" are total gold and currency assets less the debt to the Fund (it is classified as a Ministry of Finance liability). [end box]

Let us now go back to the strange coincidence discovered in the government statement: Why suddenly the amount of the IMF loan was precisely identical to the planned increase in our reserves. The explanation of this fact can shed light on a very important aspect of the 1995 economic policy.

Aleksandr Potemkin emphasized that in estimating the value of national gold and currency reserves it is important to understand what goals a particular state pursues in creating them. The general rule of thumb is that foreign currency reserves at minimum should cover a volume of two- to four-month import of goods and services. Russian reserves are partly oriented toward this goal. It is extremely important for Russia to be able to support critical imports in the event a crisis situation develops. At the same time, one of the most important purposes of the Central Bank's reserve policy is to prop up the domestic foreign exchange market and convertibility of the currency.

It should be noted that many countries that have very substantial reserves do so for other reasons. U.S. foreign currency reserves are in excess of $60 billion, Germany's—$80 billion, and China's—$30 billion, but Singapore's reserves, on the other hand, comprise $52 billion, and Taiwan's are as high as $90 billion. One might think: Why would Taiwan, for instance, keep such huge funds in reserves? Would it not make more sense to invest them in its own economy? Aleksandr Potemkin believes that in answering this question we have to look at specific characteristics of these states. "They have enormous foreign investments, and from the viewpoint of a foreign investor, their foreign currency reserves play the role of collateral, guaranteeing the ability to repatriate the capital and profit. The much-talked-of foreign exchange crisis in Mexico that resulted from a 60 percent devaluation of the national currency is proof that a state that is a recipient of substantial foreign investment needs to conduct an extremely well thought-through reserve policy. The Mexican crisis broke out because of the massive outflow of such investment. In such a situation the country's government, as a rule, spends considerable amounts of its foreign currency reserves to ensure a free flow (in the case of Mexico—outflow) of capital. In the final analysis the national government did not withstand the pressure: The reserves were not sufficient to guarantee export of capital from Mexico for all those who wanted to 'withdraw' their investments in it."

In other words, the current IMF loan, in its purpose ("reserve") and the mechanism of being made available (by placing it on deposit abroad in state banks of Western countries), plays the sole role of a guarantee for foreign investors. And nothing more.

According to the joint statement of the government and the Bank of Russia, "gross international reserves of monetary agencies should comprise at least $11 billion by the end of 1995" and the increase in this indicator will occur not due to an increase in our own funds but due to the loan made available by the IMF. In general, in Mr. Potemkin's view, "$3-5 billion in foreign currency reserves are currently quite sufficient for conducting an effective exchange rate policy." And these billions we already have. Hence, increasing gold and currency reserves as a result of the Central Bank purchasing foreign currency from the Minfin provokes ruble emission and increases the money supply. It is a paradox, but it turns out that the good deed of forming gold and currency reserves unintentionally drives up inflation, albeit within an acceptable, planned range. (Despite the fact, it should be noted, that the rubles issued by the Central Bank by themselves are directly backed up by gold and currency reserves and hence are noninflationary by nature. So what we have is a purely monetarist trick: Inflation as the price for foreign investment.)

Aleksandr Potemkin agreed to comment on the wording of one of the parts in Article 19 of the statement: "In the first half of 1995, the government and the Central Bank will commence consultations with the IMF with the purpose of assuming obligations under Article VIII of the IMF Articles of Agreement." According to him, Article VIII sets the convertibility requirement for a national currency. Unconditional signing of this article means implementing full convertibility of the national currency. (Of the former USSR countries, only the Baltic states fully subscribed to this article.) "In the course of consultations we will review the remaining foreign currency restrictions on current transactions and will consider the possibility of introducing full convertibility of the ruble in current transactions." (No lifting of restriction of capital transactions is envisaged at this point.)

In the opinion of KOMMERSANT experts, if Russia subscribes even in part to Article VIII of the IMF Articles of Agreement, this will guarantee that our state will not return to voluntaristic schemes in conducting the national exchange rate policy, and the thesis declared in the statement: "no restrictions will be imposed on the market principles of forming the exchange rate of the ruble"—will not be an empty declaration.

Bank Interest Rates

Strict measures in the monetary sphere (severe limitations on the growth of Central Bank's internal assets) will lead to lower inflation and a lower exchange rate of the dollar commensurate with the decline in the Central Bank interest rate, which may make bank interest rates positive for a long time to come. Correspondingly,

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demand for credit from the real, trade, and speculative sectors will decline. On the other hand, strict monetary measures will sharply reduce the potential supply of credit resources by the banking sector.

As a result, we can say that overall the trends in the 1995 picture of the monetary market, if the commitments made to IMF are fulfilled, will correspond to the period in mid-1994, when inflation declined sharply. (We wrote about this in detail in our annual review-forecast "The Year Without a Great Turn," see KOMMERSANT No. 1, pp. 24-29).

In other words, it is very probable that in one and a half to two months the bank rates will enter a stable period of decline. Its gradient will probably be less steep than that in March-June of last year because the envisaged monetary policy is tighter, and the floor price of money in these conditions will be maintained in a more determined manner. However, during the second stage the rates may decline more steeply, because a tighter monetary policy may provoke another round of industrial decline, which with a certain greater lag will result in a decline in demand for money on the part of the real sector.

Understandably, in this situation (as was last year) the current issuers of medium- and long-term credit will find themselves in a more favorable position, which suggest the possibility of a new round of banking sector business reorganization.

On the other hand, all potential deviations from last year's scenario will not change the main forecast conclusion we reached in KOMMERSANT No. 1. The real (after taking the inflation rate into account) interest rate on loans will decline from the current +70 percent a year (see chart No. 2 on p. 51) to the +25 percent level desirable for the real sector (see KOMMERSANT No. 1, p. 29), no earlier than the fall of 1995. In other words, preconditions for a large-scale shift of the credit flow into the real sector, which in the end can create long-term strategic preconditions for financial stabilization in the macroeconomic aspect, will mature in the economy no earlier than the end of the year.

State Bonds

A similar situation will evolve with respect to GKO's [short-term state bonds]. For instance, on 13 March one could buy six-month GKO's due on 13 September at 53.74 percent of their face value, which corresponds to an 86 percent half-year yield in hard currency (without taking into account tax benefits), or about 60 percent after adjusting for the aforementioned allowances. However, what is good for an investor in this case is extremely burdensome for the government. And it is naive to think that Minfin and Central Bank specialists do not understand this: One can see a number of hints in the statement at measures aimed at reducing the cost of servicing the internal debt.

First, the point on the subject of borrowing in the internal market begins with the contention that the government, jointly with the Central Bank, intends to "develop regional markets of government securities by creating additional trading floors on the territory of Russia." Earlier, Central Bank Deputy Chairman Andrey Kozlov reported that in March a trading floor should begin to function normally in Novosibirsk, and before the end of the year it is envisaged to set up three or four more exchanges. This means that regional structures will have an easier access to the GKO market and, accordingly, demand for GKO's will increase and their yield will decrease.

Second, according to the statement, it is envisaged that some of the state debt will be redirected toward the population. At first glance there are no innovative ideas behind this contention. However, this is not quite true. Until now physical persons have been practically cut off from the GKO market. This was due to technical complexities of market organization, and the need to work out regulating mechanisms before letting the mass investor into it.

The Central Bank, in particular, took a negative position on the trust funds that had been formed by some banks with the population's money for operations in the GKO market (at a seminar held at the end of February at the MTB [Moscow Commodity Exchange], Andrey Kozlov once again reminded that only two kinds of operations are permitted with GKO's: buying and selling; no other operations, including trust, are envisaged by the Central Bank and Minfin instructions). Let us note that the plan is to issue some special securities for physical persons, with a yield "closely tied to the GKO yield." Further on we read: "including adjustable rate securities." The last sentence is key: When an investor buys a GKO and keeps it for a specified period of time, he has a guaranteed yield, but by buying a "closely tied" security with an "adjustable rate" he becomes a hostage of the GKO market, where the yield will be continuously falling. Thus, the government intends to reduce payouts on a considerable part of its internal debt.

Third, since the end of last year there has been talk about selling GKO's to foreign investors. According to Marina Chikurova, deputy chief of the Minfin Securities Department, the ministry staff estimated the potential volume of external GKO issues as several times greater than internal issues. After the Chechen events, the prospects for this plan became foggy but not hopeless. The statement does not mention foreign investors; however, quite possibly this is being held as a stash for a rainy day. Needless to say, if this is successful, foreign investment funds will push GKO's foreign currency yield to the 15-25 percent quite acceptable for them, which will correspond to a 40-60 percent yield in rubles.

The Stock Market

Let us recall the classic: "The Federal Reserve's discount rate dropped, and blue chips surged." One can object

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(and quite legitimately so) that our economy is different from the American one—given the current state of enterprises, recovery of domestic finances will not show on the results of their activities—and accordingly, stock—any time soon. But to this argument there is a no less solid counter-argument.

Because our market mechanisms are only in the initial stage of formation, an enterprise's financial condition is about the last factor in determining the price of the enterprise's stock. The three main factors that affect it are: the fight for the controlling share of enterprise stock, that is, for redistribution of power; overcoming the crazy undervaluation of stock in the course of privatization; and the inflow of foreign capital.

It is clear that the first two factors depend little on how consistently stabilization is conducted. As to the third, the confidence on the part of IMF will give an additional impulse to foreign investment.

In addition, the decline of rates in the financial market, coupled with the declining safety of bank investment (because of the increasing risk of loan defaults) will lead investors to look for new ways to invest. And in these conditions the stock market, which now looks like an ugly duckling, may transform itself. While currently not too many people are inspired when the price of stock doubles in a matter of several months (one has to take into account taxes, the loss on the buying and selling price differential, and so on), when inflation becomes low, such a rate of growth will look quite attractive.

The flow of funds into the stock market will cause an increase in the price of stocks, which, in turn, will stimulate more inflow, and from then on it will snowball. With such a development of events the stock market may bring in hundreds of percent in profit in foreign currency. The question is who will get it. Naturally, given the current state of affairs, the lion's share will go to Western speculators who have untied capital at their disposal. However, for the national economy it would be much better if domestic entrepreneurs were to get as much of the profit as possible. There are rather powerful levers that could permit a redistribution of profit, but the statement does not say anything on the subject (hopefully, only because of limited space). For instance, creating a stock market infrastructure with the participation of state structures. A depository accessible to anyone; low fees for reregistration of stock; a developed network of stock shops; and availability information to aid in making investment decisions will bring into the stock market the population's money (which is billions of dollars), as was the case in 1993-1994 in Poland.

Taxes

Increasing the collection of taxes is a problem not only for our economy but also for the West. Therefore, the statement's authors do not have any particular illusions in this respect and setting for themselves, as they should, the large-scale task of drafting the tax code and overall simplification of the tax system, prefer nevertheless to concentrate on a realistically solvable problem. The subject is the best-collected tax—value-added tax [VAT]—from which they decided to squeeze out even more through mandatory use of invoices—first at the wholesale level, and then in retail.

KOMMERSANT: In keeping with Western standards (let us recall that the statement is a translation from the English), the invoice contains the requisite data on the parties to the deal, the account number, the date the invoice was issued, the date the goods were delivered, a description of the goods, the amount due, and the rate and amount of VAT. An invoice is issued on each deal.

This measure is not new: Tax organs frequently use invoices in audits. However, until now this was not mandatory, that is, it was up to the auditor whether he wanted to check these documents or not.

Of course, additional control always makes tax evasion more difficult; however, lowering VAT payments as a rule is achieved not by concealing the deal per se but rather by understating its reported amount on the agreement between the seller and buyers (by paying part of the amount in cash, for instance).

Invoices reflect only the fact of a transfer of goods, however, not the fact of payment. The tax, on the other hand, is due when the invoice is issued, regardless of when and how the money will be transferred. So imagine the situation: An enterprise receives raw materials from a supplier but does not pay for them, which is not rare in the current environment of nonpayments. The materials are processed, and the product delivered to a buyer, who also does not pay for it. As it stands now, if there is no payment, no VAT is to be paid. With the switch to invoices, you have to pay it no matter what.

It is clear that this will deal the heaviest blow to insolvent enterprises—and perhaps this is indeed the aim. The IMF, and now in concert with it, willy-nilly the government and the Central Bank, do not like nonpayments and insolvents: The statement emphasizes this in a special point, in which the authorities undertake an obligation not to issue credit and state loans for the purpose of paying off delinquent accounts.

Summary: In the End, What Kind of Economy Does the Statement Promise?

Fulfillment of the declared obligations will most likely result in the following picture by the end of the year.

It appears production has already gotten used to the state of decline, and enterprises that have remained viable have gradually begun to adapt to working in the conditions of an absence of state subsidies and guaranteed purchases. Therefore, if a new round of decline is to occur, it will no longer be as dramatic as in 1992 and the second half of 1993.

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The problem of nonpayments remains, which the authorities resolved for themselves very simply: This is no longer their problem. Payments or nonpayments—it is your problem: Borrow to pay the tax. You cannot borrow and did not pay the tax—go bankrupt, or sell your assets, maybe somebody will buy them. For an insolvent enterprise as a certain economic organism manufacturing a product, the difference in the final analysis is not great: There is no money one way or the other.

On the other hand, the statement does contain certain positive points for domestic industry. We mean creating a favorable environment for domestic industry by making the dollar keep up with inflation and a strict financial policy. The former opens the opportunity—and a real one—for domestic producers of consumer goods, especially import-replacing goods (in which, by the way, we can now confidently include consumer electronics: Last year, of every 15 television sets sold, only one was domestically produced). The latter—low inflation and real positive rates—on one hand will complicate the conditions for repayment of investment credits to commercial banks. But on the other hand, this will increase the demand to select truly effective projects (inflation-produced income will no longer tide you over), will reduce the inflation tax, and most importantly, will make commercial banks more agreeable, since they will be simply forced to shift credit resources away from risky interbank market operations and operations on financing importers' turnover.

The latter circumstance is especially topical, since the economic picture emerging from the authorities' intentions does not portend anything good for importers. They will no longer be able to make inflationary "runs" on the market, and therefore will have to overcome the population's inclination to save money, which will grow because the cost of money will rise. The population, for whose money commercial banks and issuers driven by government debt instruments will fight, will now think twice about whether to buy or invest. Let us note in passing that we have written many times that many banks are already restructuring their strategies and expanding their range of services, preparing the situation for a massive redistribution of individuals' money in their favor.

It should be noted that importers are quite aware of the seriousness of the government challenge and are preparing to meet it. One major wholesaler in a conversation with KOMMERSANT experts remarked that he sees for himself only two ways to survive.

The first goes along the lines of world standards: expansion into more labor-intensive kinds of trade—retail (he is very excited by the difference between the indicators of per capita retail space in developed countries and Russia—ours is less by an order of magnitude), and into the regions. The second way is purely Russian. It boils down to covering export-capable or export-related economic monsters—large oil companies, transportation companies, or even whole raw material sectors. "Remember," said the trader, "how a couple of years ago everybody was crying in unison about the imminent demise of the railroads? But now they are pulling out; no more crying, everything is quiet. And I, just as quietly, sell them huge consignments of equipment. To whom? They are teeming with all sorts of former ORS's [repair and maintenance departments] and URS's [repair and maintenance administrations]; the people sitting there are the same; they have money, and they need to maintain turnover."

And with this microeconomic observation, let us end our macroeconomic review-forecast of the economy in 1995.

Budget Revenues 7 Trillion Rubles Less Than Planned

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[FBIS Transcribed Text] MOSCOW, April 12 (FIA, Interfax)—According to preliminary results of the work over the first three months of this year, the federal budget failed to receive about 7 trillion rubles.

Russia's Finance Minister Vladimir Panskov reported this in an interview with Interfax and pointed out that the Finance Ministry, nevertheless, is going forward "with a slight increase in incomes in the form of taxes" levied on the territory of the Russian Federation (according to Russia's State Tax Service about 21 trillion rubles were collected in the form of taxes over three months of this year) but "lags behind slightly" in incomes from foreign economic activity.

According to Panskov, inappropriate regulation of the issue on foreign sources intended to cover the budget deficit, including delays of payments on the IMF standby credit, caused the most substantial arrears to the budget revenues and, thus, underfinancing of the national economy.

Panskov declared that Russia was forced to make additional expenditures to pay off interests on its foreign debt. The Paris Club has not re-structured Russia's debt obligations yet, as a result "for the time being we must pay interests in full," Panskov underlined.

The Finance Ministry reported that the decision on debt re- structuring, which will help to lower interest payments to 40 percent, "should be adopted in the near term." Panskov expressed the conviction that the situation with sources of budget revenues, along with tax receipts, will improve by the middle of 1995.

Panskov said that the Finance Ministry also "experiences certain difficulties" related to excises collections on oil and gas, but on the whole the budget has become more real than during the last year, Panskov underlined. In the first quarter of 1995 revenues to the federal budget are planed at the level of 32,695 billion rubles.

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*Activity of Joint Ventures in Defense Sector

954E0835A Moscow VOPROSY EKONOMIKI I KONVERSII in Russian No 4, 1995 pp 37-42

[Article by Doctor of Economic Sciences Yu.N. Lazintsev; V.V. Kukanov, candidate of technical sciences and assistant professor; and I.I. Ivanov: "Joint Venturing in the Defense Complex of Russia"]

[FBIS Translated Text] **The state of joint ventureship in the defense complex of the Russian Federation is examined and measures are proposed to raise its effectiveness.**

In the present stage of entering into world market relations, joint ventureship is one of the basic forms of attracting foreign investments. Considering the high organizational-managerial level that is characteristic of most foreign partners, joint ventureship can have a direct influence on the formation of an economic environment, contribute to the activation of market relations, and provide for the real business independence of enterprises.

In the defense complex, joint ventures were first established in 1988.

As of 1 January 1994, 246 joint ventures had been established in defense branches of industry, including:

—34 in the aviation industry, which amounts to 13.8 percent of the total number of joint ventures in defense branches of industry;

—29 (11.9 percent) in the industry for rocket and space technology;

—19 (7.7 percent) in the arms industry;

—four (1.6 percent) in the industry for munitions and special chemistry;

—19 (7.7 percent) in the shipbuilding industry;

—50 (20.4 percent) in the industry for the means of communication;

—31 (12.6 percent) in the radio industry;

—22 (8.9 percent) in the electronics industry.

Also, 20 joint ventures (8.1 percent) were established in the nuclear energy industry and 18 (7.3 percent) in the Russian Committee for Computer Technology and Information Science.

These enterprises were established most intensively during the past period in the industry for the means of communication, aviation industry, radio industry, and industry for rocket and space technology. This activity developed less actively in the shipbuilding industry, the armaments industry, the electronics industry, and the industry for munitions and special chemistry.

A tendency has recently been manifested in the organization of joint ventures which consisted in the fact that Russian as well as Western partners sought to move away from the established patterns and proposed different versions of financing and realization of their joint projects. Thus, for the realization of the project for the fitting of Tu-204 aircraft with English engines of the Rolls-Royce firm in 1993, the Tupolev Experimental Design Bureau, the Aviastar aircraft plant in Ulyanovsk, and the British investment company Flemings Russia Investment Corporation especially established for work in Russia organized the joint venture Bravia in the form of a joint-stock company of the closed type. It will coordinate the production, certification, marketing, and servicing of Tu-204 aircraft with Rolls-Royce engines. The English corporation is organizing the necessary financing of the project and will impart the experience of the financial management of the joint venture, which is very important under the present economic conditions.

Here is another example. In September 1993, the Saturn Scientific Production Association and the Swedish-Swiss concern Asea Brown Boveri (ABB) established the joint venture ABB/Uniturbo for the purpose of manufacturing components and equipment for power plants. Worth noting is the fact that the partners did not make such a decision immediately. Their cooperation began more than a year ago with joint test projects and studies as well as deliveries of some components for power plants, and the positive results of the business contacts led to the establishment of a joint venture.

The work of the American firm Baxter International in the formation of the joint venture MosMed (rocket and space technology) is an example of a serious approach of a foreign partner to the establishment of a joint venture. For the purpose of studying the Russian partner and a better understanding of the economic situation in Russia, Baxter International brought in the well-known consulting firm Cannon Associates, which specializes in the preparation of conversion projects for American firms and Russian enterprises. And only after the study of the recommendations of this firm was an agreement reached on the formation of a joint venture. It will produce medical instruments and various compounds using the technology of Baxter International.

As of 1 January 1994, the charter fund of all joint ventures of the defense complex of the Russian Federation amounted to 10.6 billion rubles [R] (in 1993 prices) and the contribution of foreign partners to it was R3.97 billion, or 37.6 percent.

The largest share of foreign partners in the charter fund in real terms goes to joint ventures in the industry for the means of communication, radio industry, and shipbuilding industry on account of the fact that in these branches a number of such enterprises have been established with a large charter fund (for example, the joint venture Telekos (communications industry) with R50.3 billion, the joint venture Videocomputer (radio industry) with R8 billion, the joint venture Stella (shipbuilding industry) with R1.4 billion, and so on). There

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are 33 large joint ventures in the defense complex with charter funds exceeding R10 million, or 15.1 percent altogether.

In 1993, the joint ventures of the defense complex of the Russian Federation produced output amounting to R163.5 billion (in 1993 prices), or 3.4 percent of the total produced output and services rendered by all joint ventures of Russia.

At this time, 155 joint ventures (63.3 percent) were engaged in the production of output and in services. At the same time, 50 such enterprises established in the period 1989-1992 were not included in the statistical data.

There were 11,643 persons participating in the production of output and services, or 4.1 percent of the number working in all joint ventures of the Russian Federation.

An analysis of the joint ventures in terms of the number of those employed likewise confirms the conclusion that basically the joint ventures of the defense complex of the Russian Federation are small. Thus, there were 136 (76 percent) joint ventures in which up to 50 people work, there were 16 (8.9 percent) with 51 to 100 people, 24 (13.4 percent) with 101 to 1,000 people, and 3, or 1.7 percent, with more than 1,000 people (Komtez in the industry for rocket and space technology, Sovitalprodmash in the radio industry, and Edtexh in the electronics industry).

The joint ventures that worked most actively in the production of output and services since their formation were those such as: Informatika, Intervils, Amikst, Pragma-Elektronika, Rotel-Mikma, and Tekhnoserv in the aviation industry; IAP, Komtez, KShZ, and Ural in the industry of rocket and space technology; Aquarius Systems Integral and Sederval i Ritm in the shipbuilding industry; AMT, Inkom, Interlink, Intertest, Komstar, Copris and M, Telur, and Elpav in the communications industry; Alpiya, Moskomputereyd, and Sovitalprodmash in the radio industry; Tantal YeOTs Normaliyen and Hightechstroy in the electronics industry; Intermikro and Serveko in the Russian Committee for Computer Technology and Information Science; Dekom, Svetozor, and Utileks in the nuclear energy industry; and others.

For example, the Russian-Spanish joint venture Telur from Perm produces push-button telephone sets that are distinguished by a good design, whereas the housing is no worse than that of the leading foreign firms. Over five years this enterprise manufactured 1 million high-quality telephones. It is not without reason that this product has already penetrated the external market: Precisely the joint venture Telur provided telephones for the Olympic Games in Barcelona.

Two hundred foreign firms from 38 countries participated in the establishment of joint ventures in the defense complex.

The table presents as an example a list of 10 countries of the world whose firms participated most actively in the establishment of joint ventures with enterprises of the defense complex subject to conversion.

Participation of Foreign Firms in the Establishment of Joint Ventures With Enterprises of the Defense Complex of the Russian Federation

Number	Country	Number of Firms	Number of Joint Ventures	Total Charter Fund (millions of rubles)	Share of the Foreign Partner in the Charter Fund (percent)
1	United States	39	45	1,923.64	40.2
2	Germany	30	36	5,426.9	22.3
3	Great Britain	17	18	457.96	49.1
4	Bulgaria	13	12	30.13	46.3
5	Switzerland	11	16	14.6	43.6
6	Finland	10	11	46.97	42.3
7	Austria	9	12	8.96	25.3
8	Italy	9	10	25.74	29.7
9	France	7	9	64.95	40.8
10	India	5	5	710.55	49.7

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As can be seen in the table, at the head of the list are industrially developed states with whose firms joint ventures have been established in the defense complex of Russia.

In 1993, 141 joint ventures in the defense complex of the Russian Federation (57.5 percent) participated in foreign economic activity (exports, imports, and the sale of goods and services in the internal market for foreign exchange and rubles).

There were 57 such enterprises participating in export activity in 1993, which is 23.4 percent of the total number. The total volume of exports amounted to $78.3 million (0.8 percent of the export volume by all joint ventures of the Russian Federation), or 81.3 percent of the volume of exports by joint ventures of the defense complex of the Russian Federation in 1992. Some reduction of the volume of exports in 1993 is explained by the general worsening of economic conditions for such activity.

In defense branches of industry, most actively involved in export activities were joint ventures in the industry for the means of communications, industry for rocket and space technology, electronics industry, and nuclear energy industry. In this connection, it is possible to note the work of such joint ventures as: Baykal-Flotta, Sakh. Telecom Ltd., Sprint Network, Copris and M, Kombelga, and Telur in the industry for the means of communication; Komtez and IAP in the industry for rocket and space technology; Sovitalprodmash and Sovlaks in the radio industry; Tanplast in the electronics industry, Krasbilmet in the aviation industry; and Svetozor in the nuclear energy industry.

Firms from 30 countries were partners with joint ventures of the defense complex in the export of their products in the first quarter of 1993, 37 in the second quarter, 38 in the third quarter, and 49 in the fourth quarter. The list of countries to which joint ventures of the defense complex of the Russian Federation exported their products is headed by the United States, Great Britain, Belgium, Germany, Bulgaria, India, and the Netherlands.

Predominant in the structure of exports are services, production equipment, radio and television equipment, and industrial goods for large-scale consumption.

Overall the export activity of the joint ventures shows a tendency toward an expansion of the geographical area of exports (a number of countries, including from the Baltic, first appear in the third and fourth quarters) and toward an increase in the share of production equipment and raw materials in the structure of exports. As before, the largest share of services goes to joint ventures for the industry of the means of communication.

There were 49 joint ventures that took part in the importation of goods and services in 1993, which is 19.9 percent of their total number. The total volume of imports was $81.4 million (1.7 percent of the imports of all joint ventures of Russia). In comparison with 1992, the index of foreign economic activity increased by a factor of 2.6, which was the result of the overall increase in the number of joint ventures and of the increase in the number of joint ventures participating in import operations (there were 36 in 1992).

The marked increase in the total volume of imports of joint ventures at the end of the year occurred on account of the activity of joint ventures of the industry for the means of communication, radio industry, industry for rocket and space technology, electronics industry, and nuclear energy industry. The joint ventures that worked better than others were: Polineks and IAP in the industry for rocket and space technology; Inkom, Elpav, and Sprint Network in the industry for the means of communication; Aquarius Systems Integral in the shipbuilding industry; Sovitalprodmash and Moskompyutereyd in the radio industry; Tanplast and Phonon International in the electronics industry; Intermikro in the Russian Committee for Computer Technology and Information Science; and Svetozor and Utileks in the nuclear energy industry.

Predominant in the structure of imports were industrial goods for large-scale consumption, radio and television equipment, foodstuffs, and production equipment. The importation of computer equipment declined noticeably in comparison with previous years.

The joint ventures accomplished their import operations with firms from 37 countries, among which primary roles were played by partners from the Netherlands, Austria, Italy, Sweden, Finland, Great Britain, and others.

There were 35 joint ventures, or 14.2 percent, participating in the sale of goods and services for foreign exchange in the domestic market (compared with 25, or 11.6 percent, in 1992). They sold goods and services in the amount of $83.6 million, which is 4.4 percent of this kind of activity by all joint ventures of the Russian Federation. The volume of sales increased by a factor of 2.1 in comparison with 1992.

Actively working in this kind of foreign economic activity were the joint ventures Moskompyutereyd in the radio industry, Inkom and Kombelga in the industry for the means of communication, Intermikro in the Russian Committee for Computer Technology and Information Science, and Svetozor in the nuclear energy industry.

There were 124 joint ventures, or 50.4 percent (95, or 44.0 percent, in 1992), participating in the sale of goods and services in the domestic market for rubles. They sold goods and services in the amount of R76.8 billion (in 1993 prices), or 3.1 percent of this kind of activity by all joint ventures of Russia. Primarily they sold industrial goods for large-scale consumption, production equipment, and radio and television equipment and provided services.

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The following joint ventures worked more actively than others in this kind of activity: Komtez, IAP, and Polineks in the industry for rocket and space technology; Aquarius Systems Integral in the shipbuilding industry; Sovitalprodmash and Moskompyutereyd in the radio industry; Sprint Network, Telur, and Kamatel in the industry for the means of communication; Tanplast in the electronics industry; Intermikro in the Russian Committee for Computer Technology and Information Science; and Utileks in the nuclear energy industry.

A dramatic reduction in the sale of computer equipment is characteristic of the activity of the joint ventures of the defense complex of the Russian Federation in the domestic market in 1993 in comparison with previous years.

To improve the investment climate in Russia, it is expedient to pay most attention to the development of joint entrepreneurship in the defense complex and for this purpose to:

1. Develop a new conceptual approach to joint entrepreneurship and a clearly formulated state strategy in this question, which must provide for the prospective development of the defense complex taking into account the guaranteeing of the interests and economic security of Russia. For this purpose, it is essential to provide for:

—a clear specification in the Civil Code of guarantees protecting all kinds of private ownership and rights and freedoms of entrepreneurs;

—the abolition of nontariff and tariff restrictions to the export of own output and import of raw materials and supplies for the production activity of joint ventures;

—the setting of tax vacations for a period of three to five years for enterprises with foreign investments in priority areas;

—the freeing of incomes and profits from taxation for the period of the return of investment for enterprises exporting no less than 50 percent of goods manufactured with the use of Russian intellectual property;

—the elimination of the taxation of extraordinarily high remuneration of labor and expenditures for advertising and training of personnel.

2. Continue to strengthen the international legal basis of joint entrepreneurship through the signing—above all with the European countries and the United States—of agreements on the mutual protection of investments and on the abolition of double taxation.

3. Attract for cooperation with conversion enterprises of defense branches of industry large foreign firms well known in the business world that can provide new technologies and know-how and also help Russian enterprises reach the external market.

4. Give joint ventures of defense branches of industry maximum freedom of action in the domestic and external markets with the necessary support through legislative acts and for this purpose make proposals to the appropriate committees of the State Duma.

5. Protect joint ventures against legislative changes and guarantee newly established enterprises a certain time (perhaps three to five years) for their formation on the basis of an unchanged legislative base.

6. Pay more attention to the economic and methodical training of personnel for work in joint ventures and also to the development of advertising utilizing international schools of business and marketing, seminars, and other forms.

7. Make more extensive use of the experience and position of the foreign investor in the world market as well as different forms of investments (specific bank loans, shares, stocks, personal and real property, etc.).

8. Create data bases in economic institutes integrating the proposals of conversion enterprises in cooperation with firms from foreign countries, which are to be used for the purpose of activating the process of joint entrepreneurship in the defense complex of Russia.

As the analysis shows, it was precisely through joint entrepreneurship that many defense enterprises were able to equip themselves with unique equipment, up-to-date computer hardware, and radio and television equipment. In addition, the activities of the joint enterprises have helped to saturate the domestic market with consumer goods, production equipment, services, etc.

Russia National Affairs

Economics Minister Yasin Against High Income Taxes

LD1104233995 Moscow ITAR-TASS World Service in Russian 1450 GMT 11 Apr 95

[By BISNES-TASS correspondent Robert Serebrennikov]

[FBIS Translated Text] Moscow, 11 April—"The state of affairs in the economy is improving. There is hope that we'll succeed in achieving a solution of the tasks set," Russian Federation Minister of Economics Yevgeniy Yasin stated in an interview to the BIZNESS-TASS correspondent today. Most State Duma deputies understand this, even though their mood is one of opposition to the government, he noted.

Yevgeniy Yasin is taking part in parliamentary hearings devoted to debating the main points of the government's socio-economic policy. The minister said that on the instructions of the president of the Russian Federation the draft federal budget for the year 1996 is now being drawn up. The key issue in it is taxes, in particular, tax on wages which are higher than the norm. It is clear that it should be abolished, he said.

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Finance Minister: 1995 Reserve Fund 'Completely Exhausted'

LD1304143595 Moscow INTERFAX in English 1044 GMT 13 Apr 95

[FBIS Transcribed Text] MOSCOW, April 13 (Interfax)—Russian Finance Minister Vladimir Panskov said on Thursday [13 April] at the Cabinet meeting that "the government's reserve fund for 1995, including in terms of covering expenditures for emergency situations, has been completely exhausted."

Cabinet experts told Interfax that the Russian Government uses its reserve fund to cover expenditures for measures not foreseen by the budget, foremost, on emergency operations, as well as on urgent economic and other programs.

Panskov told those present that "the full sum of money planned for this year has been eaten up." The minister said that he had informed the prime minister about the reserve fund being at zero in a letter on Thursday.

Federal Budget Law for 1995

MM1004152395 Moscow ROSSIYSKAYA GAZETA in Russian 7 Apr 95 pp 1, 3-5

[Russian Federation Federal Law No. 39-FL, signed by President Yeltsin and dated 31 March 1994: "On the Federal Budget for 1995. Adopted by the State Duma 15 March 1995. Approved by the Federation Council 23 March 1995"]

[FBIS Translated Text]

Article 1.

The federal budget for 1995 for expenditure totaling 248,344.3 billion rubles [R] and revenue totaling R175,160.6 billion is hereby ratified.

The maximum level of the federal budget deficit in 1995 is set at R73,183.7 billion, or 29.5 percent of federal budget expenditure in 1995.

The following shall be used to cover the federal budget deficit in 1995:

internal funding sources totaling R30,578.5 billion;

external funding sources totaling R42,605.2 billion.

The Central Bank of the Russian Federation [CBRF] shall grant the Russian Federation Government a loan of R5.0 trillion at 10 percent for up to six months to cover intrayear discrepancies between current federal budget revenue and expenditure in 1995.

The CBRF shall be permitted in exceptional cases to buy state securities during initial placings to the value of the aforesaid R5.0 trillion.

Article 2.

The CBRF shall grant the Russian Federation Government an interest-payment deferment of R3,675.9 billion calculated on loans issued to cover the federal budget deficit, including under the following agreements concluded between the CBRF and the Russian Federation Ministry of Finance—No. 24 of 14 July 1993 beginning July 1995 totaling R160.0 billion; beginning April 1995 under agreements No. 26 of 6 January 1994 for R510 billion, No. 27 of 13 April 1994 for R795.0 billion, and No. 28 of 7 July 1994 for R2,210.9 billion.

Interest payments shall be effected by the Russian Federation Ministry of Finance from January 1996 through December 1998 in equal monthly tranches. Interest shall not accrue on the deferred interest payments.

Article 3.

The maximum level of the Russian Federation's state foreign borrowings in 1995 shall be set at $12.3 billion.

Article 4.

The maximum level of the state credits granted by the Russian Federation in 1995 to foreign states (with the exception of the CIS states) shall be set at $600 million.

Article 5.

It shall be laid down that state credits to the CIS states under intergovernmental agreements concluded in 1994 shall be issued in 1995 within the limits of the funds received in the form of interest payments and lump-sum payments to redeem the principal on previously issued loans.

Article 6.

As of 1995 monies held by the following federal targeted extrabudgetary funds shall be consolidated (included) in the federal budget: the Russian Federation Federal Highways Fund, the Russian Federation Federal Environment Fund, the Russian Federation Tax Police Department's Social Development Fund, the Russian Federation State Tax Service's Centralized Social Development Fund, the Russian Federation Fund for the Development of the Customs System, and the State Crime-Fighting Fund (hereinafter—targeted budgetary funds).

Operations involving monies from the aforesaid funds shall be transacted solely through branches of the CBRF or the Russian Federation Ministry of Finance Main Administration for the Federal Treasury.

In order to track income and expenditure from the aforesaid funds, the CBRF or the Russian Federation Ministry of Finance Main Administration for the Federal Treasury shall open special budget accounts whose administration shall be effected by state organs empowered to control the monies of the said funds.

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Article 7.

Russian Federation components' legislative (representative) organs shall be instructed to consolidate in the relevant budgets monies from territorial highway funds and other extrabudgetary funds that have been set up at the decision of Russian Federation components' legislative (representative) and executive organs through special taxes, imposts, and other revenues.

Article 8.

It shall be laid down that federal budget revenue in 1995 shall be formed from:

75 percent of the revenue from VAT on goods (work, services) produced on Russian Federation territory, and 100 percent of the revenue from VAT on goods imported into the Russian Federation and on precious metals and precious stones released from the Russian Federation State Fund for Precious Metals and Precious Stones;

67 percent of the revenue from a special tax on enterprises, institutions, and organizations to provide financial support for the most important sectors of the Russian Federation's national economy and to ensure the steady operation of enterprises in these sectors, on goods (work, services) produced in the Russian Federation; and 100 percent of the revenue from the aforesaid tax on goods imported into the Russian Federation, and also on precious metals and precious stones released from the Russian Federation State Fund for Precious Metals and Precious Stones;

100 percent of the revenue from excise duties on oil (including gas condensate), gas, automobile gasoline, and automobiles, and 100 percent of the revenue from excise duties on goods imported into the Russian Federation;

50 percent of the revenue from excise duties on spirits, vodka, and liqueurs produced in the Russian Federation;

license duties on the right to produce, store, distribute, and engage in wholesale sales of alcoholic products;

a tax on enterprise and organization profits (revenues) levied at 13 percent;

10 percent of income tax revenue from individuals;

customs (import and export) duties, revenue from the centralized export of output, and other revenue from foreign economic activity;

deductions for the reproduction of the mineral and raw-materials base, with the exception of deductions retained by mining enterprises for the independent funding of geological and prospecting work and deductions for widespread minerals retained by Russian Federation components to fund geological and prospecting work;

payments for the use of natural resources (including payments for the pollution of the environment and other harmful effects);

proceeds from the sale of state and municipal property (proceeds from the privatization of state-owned and municipally owned enterprises and from the sale of shares in federally owned enterprises) under the normatives laid down by the State Program for the Privatization of State and Municipal Enterprises in the Russian Federation;

income from federally owned property (dividends on federally owned shares, income from federally owned leased property);

land tax funds and lease payments for city and settlement land and land used for agriculture remitted to the federal budget by Russian Federation components to fund measures implemented centrally;

the tax on securities transactions;

other taxes, imposts, duties, and other payments to be remitted to the federal budget in accordance with Russian Federation legislation.

Federal budget revenue for 1995 includes monies from the following targeted budgetary funds: the Russian Federation Federal Highways Fund, the Russian Federation Federal Environment Fund, the Russian Federation Tax Police Department's Social Development Fund, the Russian Federation State Tax Service's Centralized Social Development Fund, the Russian Federation Fund for the Development of the Customs System, and the State Crime-Fighting Fund.

Article 9.

It shall be laid down that the land tax rates established by the Russian Federation Law "On Payment for Land" shall be applied in 1995 for city and settlement land with a coefficient of not less than two. The average share of the centralization of funds yielded by land tax and lease payments for city land shall be set at 40 percent in 1995, of which 20 percent shall be remitted to the federal budget to fund a comprehensive program to improve land fertility and carry out land surveys, and 20 percent remitted to Russian Federation components' budgets for centralized measures to take an inventory of the land and provide engineering structures for territories.

Article 10.

It shall be laid down that the securities transactions tax shall be levied until such time as corresponding amendments are made to the Russian Federation Law "On the Foundations of the Tax System in the Russian Federation."

Article 11.

Deductions (charges) for the reproduction, preservation, and protection of forests shall be abolished as of 11 April 1995.

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Article 12.

It shall be laid down that in the course of privatization in 1995 there shall be no early sales of federally owned blocks of shares in oil companies that have been and are being created in accordance with Russian Federation presidential edicts and Russian Federation Government decrees.

The normative deductions to the federal budget in 1995 of the proceeds from the sale of shares in the aforesaid oil companies that belong to the state but have not been retained in federal ownership shall be set at 55 percent.

The structure of the revenue from the sale and utilization of property belonging to the state is defined in Appendix 1 to this federal law.

Article 13.

The federal budget for 1995 shall take account of revenue from the main sources in the following amounts:

	Billions of rubles
Tax revenue, total	127,924.6
of which:	
tax on enterprise and organization profits (revenue)	23,810.0
income tax from individuals	2,770.9
VAT	49,642.3
special tax on enterprises, institutions, and organizations to provide financial support for the most important Russian Federation national economic sectors and ensure the stable operation of enterprises in those sectors	5,347.0
excise duties	9,687.8
license duty for the right to produce, store, distribute, and engage in the wholesale sale of alcoholic products	1,569.7
payments for the use of natural resources	1,769.5
land tax funds and lease payments for city and settlement land and land used for agriculture remitted to the federal budget by Russian Federation components to fund centrally implemented measures	322.1
customs export duty	19,904.0
customs import duty	12,032.8
other taxes, imposts, duties, and other revenue	1,068.5
Nontax revenue, total	32,029.8
of which:	
revenue from federal property and (or) activity	7,406.4
revenue from the sale of state and municipal property	8,773.6
revenue from foreign economic activity	11,227.4
of which:	
revenue from centralized exports	1,445.8
revenue from the sale of state reserves	4,622.4
Other nontax revenue	1,280.9
Repayment of budget loans	2,000.1
Additionally:	
Targeted budget fund monies	11,925.2
of which:	
the Russian Federation Federal Highways Fund	7,285.7
the Russian Federation Federal Environment Fund	31.2
the Russian Federation Tax Police Department's Social Development Fund	395.0
the Russian Federation State Tax Service's Centralized Social Development Fund	2,000.0
the Russian Federation Fund for the Development of the Customs System	1,973.3
the State Crime-Fighting Fund	240.0

Article 14.

It shall be laid down that revenue from the following federal taxes shall be remitted to Russian Federation components' budgets in 1995:

the tax on enterprise and organization profits at rates set by Russian Federation components' legislative (representative) organs, but no higher than 22 percent, and on the profits earned by exchanges, brokerages, lending

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organizations, and insurance companies, as well as by enterprises from brokerage operations and deals, at rates no higher than 30 percent;

the tax on income from dividends and interest on shares, bonds, and other securities issued in the Russian Federation and owned by enterprises and organizations, with the exception of income earned on state bonds and other state securities (at the rate of 2 percent), and on the aforesaid incomes of lending organizations (at the rate of 5 percent);

the tax on the revenues of video centers (from the showing of videos), from the rental of video and audio cassettes, and from recordings—at a rate of 57 percent;

the tax on the revenues of casinos and other gaming houses (venues) and other gaming business—at a rate of 77 percent;

50 percent of the revenue from excise duty on spirits, vodka, and liqueurs produced in the Russian Federation;

100 percent of the revenue from excise duty on other goods produced in the Russian Federation, excluding excise duty on oil (including gas condensate), gas, automobile gasoline, and automobiles;

25 percent of the revenue from VAT on goods (work, services) produced in the Russian Federation, excluding VAT on precious metals and precious stones released from the Russian Federation State Fund for Precious Metals and Precious Stones;

33 percent of the revenue from the special tax on enterprises, institutions, and organizations to provide financial support for the most important sectors of the Russian Federation's national economy and to ensure the steady operation of enterprises in these sectors, on goods (work, services) produced in the Russian Federation; with the exception of revenue from the special tax on precious metals and precious stones released from the Russian Federation State Fund for Precious Metals and Precious Stones;

90 percent of the income-tax deductions from individuals;

payments for the use of natural resources under normatives set by Russian Federation legislation;

deductions for the reproduction of the minerals and raw-materials base for widespread minerals retained by Russian Federation components to fund geological prospecting work;

the transportation tax on enterprises, institutions, and organizations.

Article 15.

The relevant Russian Federation components' organs of state power shall be instructed to apply as of 1 January 1995 a coefficient of two to the charges that were in force at 31 December 1994 for water drawn by industrial enterprises from water resource systems.

Article 16.

Articles 14, 15, and 20 of the federal law "On The Federal Budget for 1994" shall be extended to 1995.

Article 17.

Federal budget expenditure for 1995 broken down into functional classification sections shall be ratified in the following amounts:

	Millions of Rubles
1. State administration	3,896,040.4
of which:	
functioning of federal legislative (representative) and executive organs of power	510,454.6
of which:	
Russian Federation Comptroller's Office	45,795.9
functioning of the system of federal executive organs	639,714.3
activities of financial and fiscal organs	2,317,381.6
other spending on general state administration	428,489.9
2. International activity	20,999,000.9
of which:	
international cooperation	18,298,455.0
implementation of the Russian Federation's international treaties	2,548,113.4
of which:	
expenditure on the reprocessing and elimination of armaments	2,404,639.8
of which:	
nuclear weapons	1,590,955.3
nuclear-powered weapons	469,041.0
conventional weapons	123,469.5

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	Millions of Rubles
chemical weapons	105,835.0
special fuel and munitions	115,339.0
International cultural, scientific, and information links	152,432.5
3. National defense	48,577,006.8
of which:	
organizational development and upkeep of the Russian Federation Armed Forces	43,344,806.7
of which:	
upkeep of the Armed Forces	21,981,784.0
of which:	
servicemen's pay	7,460,600.0
civilian personnel's pay	1,339,082.0
provision of food	1,721,677.0
payment for clothing and related gear	1,626,028.0
payment for and storage of special fuels	2,391,218.0
repair and manufacture of armaments and military hardware, as well as property at economically accountable enterprises of the Russian Federation Armed Forces	1,147,785.0
of which:	
pay for servicemen and civilian personnel	1,147,785.0[aspublished]
transport costs	1,434,731.0
leasing of electronic communications systems	95,650.0
operational, economic, and other expenditure to support the troops' activity	4,765,013.0
of which:	
civilian personnel's pay	3,051,933.0
Purchases of arms and military hardware	10,275,300.0
of which:	
repayment of debt for 1994	1,333,300.0
Research and development	4,935,920.0
of which:	
repayment of debt for 1994	666,700.0
Capital construction	6,138,162.0
Servicemen's pensions	4,014,825.0
Military expenditure by the Russian Federation Ministry of Atomic Energy	1,016,635.0
Maintenance of mobilization capacity	200,740.1
4. Law-enforcement activity and safeguarding of the state's security	14,968,457.2
of which:	
internal affairs organs	5,627,732.0
Internal Troops	1,441,699.0
criminal enforcement system	2,287,833.5
Tax Police organs	211,767.1
state security organs	2,457,749.6
Border Troops	2,331,073.2
Customs organs	3,657.9
Prosecutor's Office organs	606,944.9
5. Federal judicial system	1,065,074.5
6. Fundamental research and promotion of scientific and technical progress	6,060,030.1
of which:	
fundamental research	1,775,152.0
development of promising technologies and priority avenues of scientific and technical progress	4,284,878.1
7. Industry, power generation, and construction	31,162,278.4

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	Millions of Rubles
of which:	
basic sectors of industry	7,819,095.6
of which:	
state support for the coal sector	7,648,140.1
of which:	
expenditure on the recapitalization of loss-making pits and open-cuts	1,054,000.0
Reproduction of the minerals and raw-materials base (including geological surveys of the resources of the Russian Federation, the continental shelf, and the world's oceans for federal needs, and expenditure on the administration of the Russian Federation State Natural Resources Fund)	1,735,837.9
Defense industry conversion	915,454.1
Other sectors of industry	599,759.8
of which:	
state support for the timber industry	150,000.0
Construction, architecture, and urban development	20,092,131.0
of which:	
compensation for the increased cost of cooperative housing construction begun before 1 January 1992	457,276.8
state investment (including subsidies for housing construction)	18,831,250.0
repayment of accounts payable for 1994	4,553,400.0
of which:	
for the agro-industrial complex	1,000,000.0
financing on a repayable basis of investment programs for defense industry conversion	1,400,000.0
The Federal Investment Program, total	12,877,850.0
of which:	
federal targeted programs	7,006,663.0
investment in the implementation of commercial projects that produce a rapid return on capital in accordance with Russian Presidential Edict No. 1928 of 17 September 1994 "On Private Investment in the Russian Federation"	1,300,000.0
investment in agro-industrial complex installations on a competitive basis	150,000.0
8. Agriculture and Fisheries	9,315,283.2
of which:	
agricultural production	8,835,509.0
land resources	399,599.4
fisheries	56,083.4
other measures in the sphere of agriculture	24,091.4
9. Protection of the environment and natural resources, hydrometeorology, cartography, and geodesy	1,320,404.9
of which:	
water resources	68,154.6
timber resources	746,450.0
environmental protection	29,843.8
hydrometeorology	277,416.8
cartography and geodesy	198,172.3
other spending in the sphere of the protection of the environment and natural resources	367.4
10. Transportation, roads, communications, and computers	530,411.5
of which:	
air transport	58,882.3
water transport	324,646.3
communications	146,882.9
11. Development of market infrastructure	5,746.6
of which:	
small businesses and small enterprise	5,746.6

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	Millions of Rubles
12. Prevention and elimination of emergencies and the consequences of natural disasters	2,437,898.2
of which:	
state programs for the elimination of the consequences of accidents and other disasters	959,791.7
prevention and elimination of the consequences of emergencies	1,424,423.1
of which:	
priority measures to restore vital services to the Chechen Republic population carried out by the Russian Federation Ministry for Affairs of Civil Defense, Emergency Situations, and Elimination of Natural Disasters using the targeted financial reserve for the prevention and elimination of the consequences of emergencies at industrial enterprises, in construction, and on transportation, expenditure on the acquisition of specialized equipment and armaments, and expenditure on the day-to-day upkeep of civil defense troops and structures under departmental jurisdiction	250,000.0
mobilization training and civil defense	53,683.4
12. Education	8,998,200.4
of which:	
preschool education	267,354.7
primary and general secondary education	194,353.0
vocational and technical education	1,653,582.7
secondary specialized education	1,116,478.3
retraining and the improvement of qualifications	298,201.9
higher education	5,135,440.7
of which:	
targeted state support for the country's leading higher educational establishments	300,000.0
other institutions and spending in the educational sphere	332,789.1
of which:	
measures to carry out the summertime health campaign	153,000.0
14. Culture and Art	1,525,046.5
of which:	
culture and art (libraries, museums, theatrical and entertainment enterprises, houses of culture, clubs)	1,355,636.0
cinematography	145,289.6
other cultural and artistic measures	24,120.9
15. The Mass Media	1,747,253.9
of which:	
television and radio broadcasting	1,589,657.6
the periodical press and publishing houses	89,000.0
the other mass media	68,596.3
16. Health Care and Physical Fitness	4,339,396.2
of which:	
health care	3,531,297.5
of which:	
for the resolution of urgent health care problems	41,031.0
sanitary and epidemiological oversight	762,333.0
physical fitness and sport	45,765.7
17. Social Policy	4,470,853.4
of which:	
social welfare institutions	10,536.0
social aid	2,429,611.9
youth policy	26,120.4
other institutions and measures in the sphere of social policy	2,004,585.1
18. Servicing of State Debt	22,941,791.0

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	Millions of Rubles
of which:	
servicing of domestic debt	5,156,819.0
redemption of domestic debt	3,200,600.0
servicing of foreign debt	14,584,372.0
19. Replenishment of State Stocks and Reserves	10,197,987.4
of which:	
state reserves of precious metals and precious stones	10,001,074.2
state material reserve	187,126.4
20. Other Expenditure	41,860,918.2
of which:	
reserve funds	741,483.6
of which:	
Russian Federation President's Reserve Fund	49,700.0
Russian Federation Government Reserve Fund	691,783.6
of which:	
for the elimination of the consequences of emergencies	639,000.0
expenditure on staging elections and referendums	610,700.0
financial aid to Russian Federation components and administrative-territorial formations	28,499,506.0
of which:	
Federal Fund for the Financial Support of Russian Federation components	14,858,100.0
subsidies to the city of Moscow to allow it to carry out its functions as capital of the Russian Federation	1,999,182.0
subsidies to the budgets of closed administrative-territorial formations where Russian Federation Ministry of Defense and Russian Federation Ministry of Atomic Energy installations are located	1,043,200.0
the subsidy in connection with the leasing of the Baykonur Space Center for the upkeep of the Leninsk City (Republic of Kazakhstan) infrastructure	160,994.0
the subsidy to the resort city of Sochi	43,630.0
the funding of expenditure to maintain social sphere installations and the housing stock transferred in 1994 to organs of local self-government	4,320,000.0
federal regional development programs	1,694,200.0
state financial support for the transportation of output (goods) to areas of the Far North and equivalent regions	4,380,200.0
budget loans	2,265,780.0
of which:	
for the shaping of federal food stocks	265,680.0
to timber complex enterprises	452,000.0
to light and textile industry enterprises (including the repayment of R600 billion in the course of this year)	1,100,000.0
other expenditure not included in other subsections	9,743,448.6
of which:	
expenditure on the recapitalization and conversion of loss-making and unviable production facilities	800,000.0
funding for the day-to-day operations of budget-funded plants (factories, farms) set up on the basis of liquidated federal state enterprises	500,000.0
the formation of a federal financial support fund for the seasonal procurement of fuel at power stations, the pumping of gas to underground gasometers, and the implementation of measures to repair power-generation equipment, as well as the provision of fuel to the population	1,300,000.0
expenditure linked to the raising of the minimum wage	5,700,000.0
Additionally	
targeted budgetary funds' expenditure	11,925,211.2
of which:	
the Russian Federation Federal Highways Fund	7,285,700.0
the Russian Federation Federal Environment Fund	31,159.2
the Russian Federation Tax Police Department's Social Development Fund	395,000.0

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	Millions of Rubles
the Russian Federation State Tax Service's Centralized Social Development Fund	2,000,000.0
the Fund for the Development of the Russian Federation Customs System	1,973,352.0
the State Crime-Fighting Fund	240,000.0

Article 18.

The allocation of federal budget appropriations (with the exception of appropriations from targeted budget funds) for ministries, departments, and other organizations (the departmental structure of the federal budget) prescribed by Article 17 of this federal law shall be ratified in amounts in accordance with Appendix 2.

Article 19.

Volumes of funding for the list of targeted federal programs adopted for implementation in 1995 shall be ratified within the limits of federal budget spending laid down by Articles 17 and 18 of this federal law in accordance with Appendix 3.

Article 20.

The allocation of federal budget appropriations in 1995 shall be ratified:

for the funding of the federal investment program in accordance with Appendix 4;

for the construction of hospitals, clinics, and diagnostic centers in accordance with Appendix 5;

for the resolution of pressing public health problems in accordance with Appendix 6;

for fundamental research in accordance with Appendix 7;

for agricultural production in accordance with Appendix 8;

for targeted state support for leading higher educational establishments (ministries and departments) and a list of the country's leading higher educational establishments in accordance with Appendix 9;

for the funding of the central and regional mass media in accordance with Appendix 10;

for the funding of federal regional development programs in accordance with Appendix 11;

for the funding of urgent measures in the sphere of social policy in accordance with Appendix 12.

Article 21.

(Secret) [as published]

Article 22.

The Russian Federation Government shall not adopt decisions in 1995 which may result in an increase in the number of personnel of federal executive organs.

Article 23.

The maximum number of Russian Federation State Tax Service personnel shall be fixed in 1995 at 162,500.

Article 24.

The numerical strength of the Russian Federation Armed Forces, organs of law and order, and other services safeguarding the state's security in 1995 shall be laid down as follows:

	1 January 1995 (thousands)	1 January 1996 (thousands)
Numerical strength of the Russian Armed Forces:		
Servicemen	1,917.4	1,469.9
Civilian personnel	600.0	600.0
Number of internal affairs organ staffers maintained at federal budget expense	540.0	540.0
Number of Russian Federation Ministry of Internal Affairs [MVD] internal troop servicemen and civilian staff	264.0	264.0
Number of federal counterintelligence organs' personnel	76.9	76.9
Number of Russian Federation Federal Border Service servicemen and civilian staff	210.0	210.0
Number of servicemen and civilian staff of government communications troops and organs	54.0	54.0
Number of Russian Federation Tax Police personnel	24.0	38.0

Article 25.

Within a two-month period the Russian Federation Government shall formulate and submit for the consideration of the Russian Federation Federal Assembly proposals regarding the creation of a unified system of material support for servicemen, rank and file, and commanders.

Article 26.

As of 1 January 1995 research and development work at enterprises of the Russian Federation Ministry of Defense, Russian Federation MVD, Russian Federation Federal Counterintelligence Service [FSK], Federal Government Communications and Information Agency [FAPSI] under the Russian Federation president, the

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Russian Federation Federal Border Service [FPS], the Russian Federation Main Protection Directorate [GUO], and the Russian Federation Foreign Intelligence Service [SVR] shall be transferred to federal budget funding and these enterprises simultaneously reorganized as state- funded enterprises.

Article 27.

It shall be laid down that in 1995 funding of expenditure associated with the operation of Points 15 (pertaining to mandatory state insurance), 17, 19, 20, 27, and 33 of the Statute on Federal State Service ratified by Edict No. 2267 of the Russian Federation President of 22 December 1993 shall not be implemented, except for expenditure implemented in accordance with the terms of labor remuneration and material and consumer services for federal state employees previously adopted by Russian Federation legislation.

Article 28.

It shall be laid down that the Federal Fund for Financial Support for Russian Federation Components shall be formed in 1995 from 27 percent of the VAT on goods (work, services) produced in the Russian Federation from the share payable into the federal budget (except for the VAT on precious metals and precious stones released from the Russian Federation State Fund of Precious Metals and Precious Stones).

Based on the adjustment of Russian Federation components' budget reporting indicators for the base year of 1993 in the light of current legislation, the proportions in which the above fund's monies are allocated shall be laid down as follows: 56.04 percent for regions in need of support and 43.96 percent for regions particularly in need of support.

Article 29.

In 1995 each Russian Federation component's share of the Federal Fund for Financial Support for Russian Federation Components shall be ratified as follows:

[All figures in the following table are in percentages]

Northern Region	In Need of Support	Particularly in Need of Support
Arkhangelsk Oblast	1.5987	0.0915
Nenetsk Autonomous Okrug	0.012	0.5476
Vologda Oblast		1.3905
Murmansk Oblast		0.6985
Republic of Karelia	3.3705	0.2432
Komi Republic		1.8443
Northwestern Region:		
Leningrad Oblast	0.3352	0.0798
Novgorod Oblast	0.5262	1.0309
Pskov Oblast	1.5598	0.1343
Central Region:		
Bryansk Oblast	2.8914	
Vladimir Oblast	0.9748	0.0045
Ivanovo Oblast	1.8126	
Tver Oblast	2.1371	
Kaluga Oblast	1.8166	
Kostroma Oblast	0.7287	3.3602
Moscow Oblast		8.4839
Orel Oblast	1.1041	1.3836
Ryazan Oblast	0.149	
Smolensk Oblast	0.9763	
Tula Oblast	1.4716	
Volga-Vyatka Region:		
Kirov Oblast	1.8145	0.5356
Mari El Republic	1.4969	1.3714
Republic of Mordovia	1.765	0.0991
Chuvash Republic—Chavash Respubliki	2.2348	
Central-Chernozem Region:		
Belgorod Oblast	0.2226	
Voronezh Oblast	3.0243	

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Northern Region	In Need of Support	Particularly in Need of Support
Kursk Oblast	0.9453	
Tambov Oblast	1.8282	
Volga Region:		
Astrakhan Oblast	1.6612	0.049
Volgograd Oblast	1.2984	
Penza Oblast	2.7773	
Saratov Oblast	3.0186	
Ulyanovsk Oblast		1.7411
Republic of Kalmykia—Khalmg Tangch	0.7924	1.3185
Republic of Tatarstan (Tatarstan)	0.6191	
North Caucasus Region:		
Krasnodar Kray	3.2729	
Republic of Adygea (Adygea)	0.8955	0.331
Stavropol Kray	4.0271	0.8389
Karachayevo-Cherkess Republic	1.0485	
Rostov Oblast	4.5773	
Republic of Dagestan	5.9324	3.7629
Kabardino-Balkar Republic	1.9421	
Republic of North Ossetia	1.5402	0.4746
Ingush Republic	0.7453	0.1134
Chechen Republic	2.8594	
Ural Region:		
Kurgan Oblast	1.7317	
Orenburg Oblast	1.2416	0.3596
Perm Oblast		2.1666
Komi-Permyak Autonomous Okrug	0.4442	0.278
Chelyabinsk Oblast		0.5761
Udmurt Republic	1.6909	
West Siberian Region:		
Altay Kray	6.8349	0.8073
Altay Republic	0.9341	0.3769
Kemerovo Oblast		18.3464
Novosibirsk Oblast	5.3344	
Omsk Oblast	0.5191	6.3066
Tomsk Oblast	0.3103	1.6957
Tyumen Oblast		2.4755
East Siberian Region:		
Republic of Khakasia	0.6394	0.2954
Taymyr (Dolgano-Nenetsk Autonomous Okrug)	0.0105	0.5719
Evenki Autonomous Okrug	0.0349	0.6707
Irkutsk Oblast		2.0829
Ust-Orda Buryat Autonomous Okrug	0.519	0.5255
Chita Oblast	2.2986	0.5325
Aga Buryat Autonomous Okrug	0.3268	0.0223
Republic of Buryatia	1.7461	2.0121
Republic of Tyva	1.0863	0.8156
Far East Region:		
Maritime Kray		2.8258

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Northern Region	In Need of Support	Particularly in Need of Support
Khabarovsk Kray		3.8527
Jewish Autonomous Oblast	0.415	0.3507
Amur Oblast	1.2307	2.0155
Kamchatka Oblast		2.9643
Koryak Autonomous Okrug		2.0164
Magadan Oblast		3.2465
Chukotka Autonomous Okrug		3.1776
Sakhalin Oblast		3.5301
Republic of Sakha (Yakutia)		4.2453
Kaliningrad Oblast	0.8476	0.9291

Article 30.

By 15 May 1995 the Russian Federation Government shall submit for the consideration of the Russian Federation Federal Assembly State Duma proposals regarding the adjustment of the proportions whereby the Federal Financial Support Fund for Russian Federation Components is allocated among regions in need of support and regions in particular need of support and also regarding the adjustment of each Russian Federation component's share of the above fund, coordinated with Russian Federation components on the basis of reporting indicators on the implementation of Russian Federation components' budgets in 1994.

Article 31.

In 1995 revenue from income tax on individuals shall be channeled into the federal budget to fund expenditure involved in the upkeep of social facilities and housing stock transferred in 1994 to the jurisdiction of local self-government organs.

Article 32.

As of 1 January 1995 concessions granted by previous decisions adopted by federal legislative and executive organs in contravention of the principles laid down by budget legislation governing the relationship between the federal budget and Russian Federation components' budgets and in violation of the unified approach to financial and budgetary relations with the regions shall be revoked. It shall be laid down that decisions on state support for individual Russian Federation components can only be adopted at the time the federal law on the federal budget is adopted.

With a view to protecting the interests of the federal budget and fully mobilizing its financial resources the Russian Federation Government shall be authorized, in the event of individual Russian Federation components' violating the procedure for the payment of taxes and other revenue into the federal budget prescribed by Russian Federation legislation, to employ the following sanctions against them:

suspend federal budget funding of federal programs and measures implemented on the territory of the relevant Russian Federation components and also the transfer of funds under mutual settlements, transfers, subventions and subsidies, budget loans and credits;

terminate the issuing of export licenses;

suspend the centralized delivery of output from state resources;

regulate, mindful of the amount of taxes and other federal budget revenue illegally remaining in Russian Federation components' budgets, the amount of credit resources and cash granted to them via emissions from the CBRF.

Article 33.

In 1995 the following federal budget subsidies shall be allocated to the budgets of closed administrative-territorial formations in which Russian Federation Ministry for Atomic Energy installations are located in order to fund expenditure not covered by their own financial resources:

Nizhniy Novgorod Oblast:	million rubles
Kremlev City	25,604.0
Penza Oblast:	
Zarechnyy City	64,023.0
Chelyabinsk Oblast:	
Trekhgornyy City	59,675.0
Snezhinsk City:	32,345.0
Ozersk City	18,166.0
Sverdlovsk Oblast:	
Lesnoy City	82,547.0
Krasnoyarsk Kray:	
Zheleznogorsk City	140,677.0
Zelenogorsk City	64,519.0
Tomsk Oblast:	
Seversk City	88,444.0

Article 34.

In 1995 the following federal budget subsidies shall be allocated to the budgets of closed administrative-territorial formations where Russian Federation Ministry of Defense installations are located to fund expenditure not covered by their own financial resources:

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Northern Region:	million rubles
Arkhangelsk Oblast:	
Mirnyy City	2,967.0
Murmansk Oblast:	
Snezhnogorsk City	42,008.0
Skalistyy City	45,500.0
Ostrovnoy City	28,493.0
Zaozersk City	23,988.0
Central Region:	
Tver Oblast:	
Ozernyy Settlement	22,555.0
Moscow Oblast:	
Krasnoznamensk City	8,074.0
Vostkhod Settlement	1,634.0
Molodezhnyy Settlement	500.0
Priokak Settlement	982.0
Volga-Vyatka Region:	
Kirov Oblast:	
Pervomayskiy Settlement	1,430.0
Volga Region:	
Astrakhan Oblast:	
Znamensk City	16,485.0
Saratov Oblast:	
Svetlyy Settlement	5,267.0
Ural Region:	
Orenburg Oblast:	
Komarovskiy Settlement	141.0
Perm Oblast:	
Zvezdnyy Settlement	37,290.0
Sverdlovsk Oblast:	
Uralskiy Settlement	2,257.0
Svobodnyy Settlement	4,489.0
Chelyabinsk Oblast:	
Lokomotivnyy Settlement	10,048.0
East Siberian Region:	
Krasnoyarsk Kray:	
Solnechnyy Settlement	11,077.0
Kedrovyy Settlement	4,758.0
Chita Oblast:	
Gornyy Settlement	5,738.0
Far East Region:	
Maritime Kray:	
Fokino City	95,548.0
Amur Oblast	
Uglegorsk Settlement	963.0
Kamchatka Oblast:	
Vulkannyy Settlement	6,515.0
Vilyuchinsk City	88,493.0

Article 35.

The Russian Federation Government is hereby authorized to fund in 1995 within the limits of the appropriations ratified under the relevant sections of Article 17 of this federal law on a repayable, chargeable basis:

measures of state support for delivery of output (goods) to areas of the Far North and equivalent areas (primarily areas with restricted shipping periods);

expenditure on the formation of federal food stocks;

expenditure on the provision of machine building output for the agro-industrial complex on a long-term lease basis (leasing);

some of the expenditure incurred in the funding of state investment programs and investment programs for the conversion of defense industry;

expenditure on the provision of short-term financial support for enterprises engaged in the reorganization of production;

expenditure on the formation of a federal financial support fund for seasonal procurements of fuel at power stations, pumping of gas to underground storage facilities, measures to repair power equipment, and also to provide the population with fuel;

expenditure on the provision of short-term financial support for enterprises exporting processing industry output;

expenditure on the funding of seasonal procurements of raw materials and semimanufactures for the production of consumer goods and production and technical goods in the textile, light, and timber sectors of industry.

Article 36.

It shall be laid down that federal budget funds may be borrowed on a repayable basis by Russian enterprises and organizations which constitute corporate entities, except for enterprises with foreign investment and also executive organs of Russian Federation components.

Federal budget funds can be granted on a repayable basis via Russian Federation components' executive organs, ministries, departments, banks, and other Russian corporate entities which are agents of the Russian Federation Government.

Article 37.

It shall be laid down that the fee for the use of federal budget funds granted in 1995 on a repayable basis and funds to repay them will be paid into the federal budget.

When federal budget funds are granted on a repayable basis bills of exchange can be used as debt instruments.

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Article 38.

It shall be laid down that federal budget funds are granted on a repayable basis in 1995 on the following terms:

to fund state investment programs and investment programs for the conversion of the defense industry—with interest payable for the use of the funds provided in accordance with agreements concluded after 1 January 1995 at one-fourth of the current CBRF discount rate and for agro-industrial complex enterprises of one-third of the current CBRF discount rate;

to fund state financial support measures for delivery of output (goods) to areas of the Far North and equivalent localities—for no more than 18 months with interest payable for the use of the funds provided at one-third of the current CBRF discount rate;

to procure agricultural produce for federal food stocks—for a term of no more than a year with interest payable for the use of the funds provided at one-third of the current CBRF discount rate;

to form a leasing fund to provide the agro-industrial complex with machine building output—in accordance with the procedure and on terms prescribed by the Russian Federation Government;

to provide short-term financial support for enterprises engaged in the reorganization of production—for a period not exceeding the current fiscal year, with interest payable for the use of the funds provided at one-half of the current CBRF discount rate;

to provide short-term financial support for enterprises exporting processing industry output—for a term not exceeding the current fiscal year with interest payable for the use of the funds provided at one-half of the current CBRF discount rate;

to form the federal financial support fund for seasonal procurements of fuel at power stations, pumping of gas to underground storage facilities, measures to repair power generation equipment, and also to provide the population with fuel—for a term of no more than a year with interest payable for the use of the funds provided at one-third of the current CBRF discount rate;

to fund seasonal procurements of raw materials and semimanufactures for the production of consumer goods and production and technical goods in the textile, light, and timber sectors of industry—for a term of not over a year with interest payable for the use of the funds provided at one-fourth of the current CBRF discount rate.

Article 39.

A fine of twice the current CBRF discount rate shall be levied for failure to repay on time federal budget funds provided on a repayable basis and also for delays in the payment of interest for the use of the above funds.

It shall be laid down that in 1995 repayment of federal budget loans granted to enterprises and organizations and payment for the use of these loans are equivalent to payments into the budget and are implemented as a top priority in accordance with Edict No. 1005 of the Russian Federation president of 23 May 1994.

Article 40.

The Russian Federation Government shall transfer to the control of Russian Federation components' executive organs federal budget funds granted on a repayable basis in 1994 for the creation of regional grain stocks and also monies received in payment for the use of these funds.

It shall be laid down that as of 1995 the formation of regional food stocks is to be implemented without the enlistment of other federal budget funds.

The Russian Federation Government and the Russian Federation Comptroller's Office shall be assigned responsibility for monitoring the targeted use by Russian Federation components' executive organs of the federal budget funds assigned to their control for the formation of regional food stocks.

Article 41.

The Russian Federation Government and Russian Federation components' executive organs shall repay in 1995 budgetary loans issued in 1993-1994 for the formation of federal and regional food stocks totaling R5.4 trillion and payments for the use of the federal funds provided at one-third of the CBRF discount rate. The revenue shall be used for the purposes laid down in Article 35 of this federal law.

Article 42.

In partial amendment of Article 26 of the Federal Law "On the 1994 Federal Budget" it shall be laid down that state support for the delivery of oil, petroleum products, and fuel to areas of the Far North and equivalent localities (primarily those with a limited shipping season) shall be implemented using monies from the targeted federal fund formed in accordance with the aforesaid article.

Financial support for the delivery to regions of the Far North and equivalent localities of food (except for spirits, beer, and tobacco products) of medicines and pharmaceutical goods, as well as material-technical output and nonfood essential consumer goods, shall be implemented using the relevant regional funds in order to supply the population and social enterprises.

The Russian Federation Government shall transfer to the control of Russian Federation components' executive organs redemption payments in respect of federal budget loans issued in 1994 for the delivery of output (goods) to regions of the Far North and equivalent localities and funds received in payment for their use.

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Russian Federation components' executive organs shall ensure the targeted use of federal funds assigned to their control to ensure the timely delivery of output (goods) to regions of the Far North and equivalent localities.

Monies from enterprises and organizations implementing the centralized delivery of output (goods) and also redemption payments in respect of federal budget loans issued to them in 1994 and in the form of payment for their use shall be accumulated in the federal budget for the subsequent funding on a repayable basis of centralized deliveries of food (except for spirits, beer, and tobacco products), medicines and pharmaceutical products, and also material and technical output and essential nonfood consumer goods to supply the population and social enterprises in regions of the Far North and equivalent localities (primarily those with a limited shipping season).

By 15 July 1995 the Russian Federation Government shall channel at least 70 percent of the total expenditure envisaged for these purposes in the 1995 federal budget into the funding of measures to deliver output (goods) to regions of the Far North and equivalent localities (primarily those with limited shipping seasons).

Article 43.

During the first half of 1995 the Russian Federation Government shall be authorized to issue Russian Federation components' executive organs where necessary with federal budget loans for a term of no more than six months to cover the cash-flow problems arising because the dates for the repayment of money issued in 1994 from the Federal State Financial Support Fund for the delivery of output (goods) to regions of the Far North and equivalent localities and used in 1995 for the formation of regional funds to meet the population's socio-consumer needs do not coincide with the dates for the procurement and delivery of foodstuffs (except for spirits, beer, and tobacco products), medicines and pharmaceutical goods, as well as material and technical output and essential nonfood consumer goods to areas with limited shipping seasons.

Article 44.

The Russian Federation Ministry of Finance and the CBRF shall in 1995 convert the debts outstanding as of 1 January 1995 from enterprises and organizations engaged in the delivery of output (goods) to regions of the Far North and equivalent localities and their storage and sale, in respect of centralized credits granted in 1993-1994 from the credit resources of the CBRF of R2.0 trillion into a debt owed by the above enterprises and organizations to the Russian Federation Ministry of Finance by agreement with them and in return for guarantees from Russian Federation components' executive organs, to be repaid over 10 years from 1996.

The above debt of R2.0 trillion shall be ascribed to the Russian Federation state domestic debt within the upper limit laid down for 1995 by means of the Russian Federation Ministry of Finance issuing the CBRF with 10-year debt instruments [veksel] yielding 10 percent per annum in equal installments from 1996.

This debt to the CBRF is not included in the ceiling for the provision of CBRF credit to the Russian Federation Government.

Article 45.

The CBRF shall defer until 1 January 1996, with payment in equal installments in 1995, interest payments on centralized credits granted in 1993-1994 to enterprises and organizations with all forms of ownership delvering output (goods) to regions of the Far North and equivalent localities, without applying penalties for previously overdue payments.

Article 46.

It shall be laid down that in 1995 funding of expenditure incurred in the payment of state pensions and benefits carried out in accordance with Russian Federation legislation using federal budget funds is implemented by the Russian Federation Pension Fund on a repayable basis.

The Russian Federation Government shall compensate the Russian Federation Pension Fund for expenditure incurred in the payment of state pensions and benefits liable to federal budget funding, in the light of the actual implementation of the Russian Federation Pension Fund budget and the federal budget in 1995.

During the first half of 1995 the Russian Federation Government shall conclude a contract with the Russian Federation Pension Fund laying down the procedure for relations between the Russian Federation Pension Fund and the federal budget in 1995.

Article 47.

It shall be laid down that Russian Federation Federal Highways Fund revenue is formed in 1995 from the following sources:

	million rubles
Fund's balance at the beginning of the year	32,300.0
Tax on sales of fuel and lubricants	4,767,800.0
World Bank loan	281,000.0
Other tax and nontax revenue	2,204,600.0

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In 1995 Russian Federation Federal Highways Fund monies shall be channeled into the following areas:

	million rubles
Upkeep and repair of the existing federal highway network	1,682,300.0
Reconstruction and construction of federal highways and structures, development of highway organizations' production base	2,160,000.0
Acquisition of highway equipment and other property needed for the operation and upkeep of federal highways	230,000.0
Federal expenditure	150,000.0
Subventions and subsidies to Russian Federation components for the development and upkeep of public highways	3,040,000.0
Balance at the end of the year	23,400.0

The allocation of subventions and subsidies to Russian Federation components for the development and upkeep of public highways in 1995 shall be ratified as follows:

[FBIS Translated Text]

	million rubles
Republic of Adygea (Adygea)	5,380.0
Republic of Altay	19,900.0
Republic of Buryatia	29,100.0
Republic of Dagestan	46,820.0
Ingush Republic	13,000.0
Kabardino-Balkar Republic	40,850.0
Republic of Kalmykia—Khalmg Tangch	15,600.0
Karachayevo-Cherkess Republic	12,770.0
Republic of Karelia	70,350.0
Republic of Komi	24,830.0
Mari El Republic	9,190.0
Republic of Mordovia	28,590.0
Republic of Sakha (Yakutia)	20,670.0
Republic of North Ossetia	22,020.0
Republic of Tatarstan (Tatarstan) (provided that taxes and debts to Russian Federation Federal Highway Fund are paid)	6,000.0
Republic of Tyva	15,600.0
Udmurt Republic	20,450.0
Republic of Khakasia	13,220.0
Chechen Republic	40,150.0
Chuvash Republic—Chavash Respubliki	31,400.0
Altay Kray	80,760.0
Krasnodar Kray	42,730.0
Krasnoyarsk Kray	36,950.0
Maritime Kray	76,470.0
Stavropol Kray	16,550.0
Khabarovsk Kray	24,530.0
Amur Oblast	14,300.0
Arkhangelsk Oblast	26,240.0
Astrakhan Oblast	12,960.0
Belgorod Oblast	17,270.0
Bryansk Oblast	14,560.0
Vladimir Oblast	23,000.0
Volgograd Oblast	55,810.0
Vologda Oblast	61,890.0
Voronezh Oblast	38,800.0
Ivanovo Oblast	12,200.0
Irkutsk Oblast (of which 10,000.0 on the Bratsk-Padun highway)	39,070.0
Kaliningrad Oblast	40,460.0.0
Kaluga Oblast	17,920.0
Kamchatka Oblast	29,600.0
Kemerovo Oblast	8,350.0
Kirov Oblast	66,900.0
Kostroma Oblast	111,140.0
Kurgan Oblast	15,220.0
Kursk Oblast	11,030.0
Leningrad Oblast	66,900.0
Lipetsk Oblast	6,900.00
Magadan Oblast	45,000.0
Moscow Oblast	251,520.0
Murmansk Oblast	29,400.0
Nizhniy Novgorod Oblast	20,880.0
Novgorod Oblast	46,800.0
Novosibirsk Oblast	10,300.0
Omsk Oblast	44,100.0
Orenburg Oblast	16,520.0
Orel Oblast	11,650.0
Penza Oblast	3,070.0
Perm Oblast	54,600.0
Pskov Oblast	27,000.0
Rostov Oblast	23,950.0
Ryazan Oblast	19,030.0
Samara Oblast	33,930.0
Saratov Oblast	107,350.0
Sakhalin Oblast	100,710.0
Sverdlovsk Oblast	13,990.0
Tambov Oblast	1,860.0
Tver Oblast	54,790.0
Tomsk Oblast	25,520.0
Tula Oblast	42,580.0
Tyumen Oblast	68,650.0
Ulyanovsk Oblast	15,170.0
Chelyabinsk Oblast	5,000.0
Chita Oblast	19,900.0

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	million rubles
Yaroslavl Oblast	22,000.0
Moscow City	230,000.0
St. Petersburg City	64,000.0
Jewish Autonomous Oblast	25,200.0
Komi-Permyak Autonomous Okrug	15,000.0
Koryak Autonomous Okrug	500.0
Nenetsk Autonomous Okrug	1,500.0
Ust-Orda Buryat Autonomous Okrug	10,600.0
Khanty-Mansiysk Autonomous Okrug	25,130.0
Chukotka Autonomous Okrug	21,000.0
Evenki Autonomous Okrug	1,500.0

Article 48.

It shall be laid down that Russian Federation Federal Environment Fund revenue in 1995 is formed from the following sources:

	million rubles
Fund's balance at the beginning of the year	959.2
10-percent deductions from territorial ecological funds	27,000.0
Other revenue	3,200.0

Russian Federation Environment Fund money shall be channeled into the following in 1995:

	million rubles
Investment in nature conservation projects and programs	27,711.8
Implementation of measures in the sphere of ecological education and instruction for the population	1,039.4
International nature conservation cooperation	717.3
Other expenditure	1,200.0
Upkeep of the fund's board	490.7

Article 49.

It shall be laid down that the revenue of the Russian Federation Tax Police Department's Social Development Fund is formed in 1995 from 0.15 percent of actual tax receipts and other mandatory payments into the Russian Federation budgetary system, payment of which is monitored by tax organs.

Funds totaling R395.0 billion belonging to the Russian Federation Tax Police Department's Social Development Fund shall be counted as federal budget revenue in 1995.

The Russian Federation Tax Police Department's Social Development Fund money shall be channeled into the following in 1995:

	billion rubles
74.7 percent of revenue for the upkeep and development of tax police organs	295.0
of which:	
day to-day upkeep of federal tax police organs	105.0
acquisition of special equipment and communications systems for federal tax police organs	30.0
capital construction and acquisition of equipment	160.0
25.3 percent of revenue on upkeep of Russian Federation MVD criminal-enforcement system	100.0

It shall be laid down that the amount of funds from the Russian Federation Tax Police Department's Social Development Fund channeled into the provision of bonuses and material incentives cannot exceed 25 percent of the total amount of Fund money channeled into the upkeep and development of federal tax police organs.

It shall be laid down that funds in excess of R395.0 billion received by the Russian Federation Tax Police Department's Social Development Fund shall be channeled into the upkeep and development of tax police organs in prescribed areas and in accordance with the proportions laid down by this federal law.

The Russian Ministry of Finance Main Administration of the Federal Treasury keeps a separate record of funds due to be paid into the Russian Federation Tax Police Department's Social Development Fund and implements funding using the money of the above Fund.

Article 50.

It shall be laid down that Russian Federation State Tax Service Centralized Social Development Fund revenue is formed in 1995 from 0.75 percent of the actual tax receipts and other mandatory payments into the Russian Federation budgetary system, payment of which is monitored by tax organs.

Russian Federation State Tax Service's Centralized Social Development Fund monies totaling R2,000.0 billion shall be counted as federal budget revenue in 1995.

Russian Federation State Tax Service's Centralized Social Development Fund monies are to be channeled into the following in 1995:

	million rubles
71.22 percent of revenue on the upkeep and development of the Russian State Tax Service	1,424,547.6
including:	
development of the Russian Federation State Tax Service material and technical base	713,410.7
development of the Russian Federation State Tax Service social infrastructure	142,000.0
retraining for Russian Federation State Tax Service staffers	71,000.0
material incentives for Russian Federation State Tax Service staffers	356,136.9

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	million rubles
funding of unforeseen expenditure	142,000.0
7.5 percent of revenue on the upkeep and development of the Russian Federation FSK	150,000.0
5.0 percent of revenue on the upkeep and development of the Russian Federation SVR	100,000.0
0.24 percent of revenue on the upkeep of the Russian Federation Constitutional Court	4,715.6
including:	
day-to-day expenditure	4,015.6
capital expenditure	700.0
of which: acquisition of equipment and durables	400.0
capital repairs	300.0
0.8 percent of revenue on the upkeep of the Russian Federation SupremeCourt of Arbitration	16,000.0
including:	
day-to-day expenditure	3,800.0
capital expenditure	12,200.0
of which:	
acquisition of equipment and durables	16.0
capital repairs	12,184.0
0.24 percent of revenue on the upkeep of the Russian Federation Supreme Court	4,736.6
of which:	
day-to-day expenditure	4,736.6
15.0 percent of revenue on the implementation of the Russian Space Program carried out by the Russian Space Agency	300,000.0
including:	
fundamental research	300,000.0

It shall be laid down that the amount of funds channeled from the Russian Federation State Tax Service's Centralized Social Development Fund into the provision of bonuses and material incentives cannot exceed 25 percent of the total amount directed by the above Fund into the upkeep and development of Russian Federation State Tax Service organs.

It shall be laid down that Russian Federation State Tax Service's Centralized Social Development Fund revenue in excess of R2,000.0 billion is channeled into the upkeep and development of Russian Federation State Tax Service organs in the prescribed areas and in accordance with the proportions laid down by this federal law.

The Russian Federation Ministry of Finance Main Administration of the Federal Treasury keeps a separate record of the funds liable to be paid into the Russian Federation State Tax Service's Centralized Social Development Fund and carries out funding using the said Fund's monies.

Article 51.

Funds of R1,973.3 billion belonging to the Fund for the Development of the Russian Federation Customs System formed from sources laid down by customs legislation, shall be counted as federal budget revenue in 1995.

Fund for the Development of the Russian Federation Customs System monies are to be channeled into the following areas in 1995:

	billion rubles
70 percent of revenue into the upkeep of and amenities for Russian Federation State Customs Committee customs organs, including:	
day-to-day upkee	786.9
acquisition of arms, special equipment, and communications facilities	202.8
research and development work	27.7
capital construction and acquisition of equipment	361.3
30 percent on FPS measures to provide amenities for the Russian State Border, including:	
acquisition of arms and military hardware,special equipment, and communications facilities	308.3
capital construction and acquisition of equipment	286.3

It shall be laid down that revenue of the Fund for the Development of the Russian Federation Customs System in excess of R1,973.3 billion is fully channeled into the upkeep of and provision of amenities for Russian Federation State Customs Committee customs organs.

The Russian Federation Ministry of Finance Main Administration of the Federal Treasury keeps a separate record of funds due to be paid into the Fund for the Development of the Russian Federation Customs System and implements funding using the said Fund's monies.

Article 52.

The Russian Federation Government shall bring the statutes on the Russian Federation Tax Police Department's Social Development Fund and the Russian Federation State Tax Service's Centralized Social Development Fund, insofar as sources of funding of the above funds are concerned, into line with the procedure for their formation as laid down by Articles 49 and 50 of this federal law.

Article 53.

It shall be laid down that the State Crime-Fighting Fund shall be formed in 1995 from the following sources:

100 percent of the money obtained from the sale of property confiscated by order, ruling, and decree of a court (judge) which has been enforced, except for funds and other property in respect of whose sale and disposal a special procedure has been established;

15 percent of the funds raised from fines imposed in accordance with administrative procedure and also by order of the court (judge);

100 percent of the funds from the sale of property confiscated during law-enforcement organs' operational-investigative operations which is deemed to be ownerless in accordance with the procedure laid down by Russian Federation legislation;

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100 percent of the funds raised from issuing licenses for private detective and guard activity;

50 percent of the funds raised from issuing licenses for the right to carry weapons and licenses for citizens, enterprises, establishments, and organizations to buy weapons;

voluntary dues and charitable donations from enterprises, establishments, and organizations, public associations of citizens, and also from foreign corporate entities and citizens in monetary form;

other revenue in accordance with current legislation.

It shall be laid down that in 1995 R200 billion of State Crime- Fighting Fund money shall be used to acquire arms and military hardware, special equipment, and communications facilities; and R40 billion for research and development work.

The Russian Federation Government shall ratify the proportions for the distribution of State Crime-Fighting Fund money between the Russian Federation MVD and the Russian Federation FSK.

Article 54.

A ceiling of R159.3 trillion shall be set for Russia's domestic state debt in 1995.

Article 55.

A ceiling of $129.9 billion shall be set on the Russian Federation state foreign debt in 1995.

Article 56.

The following list of protected current federal budget expenditure which is to be fully funded in 1995 shall be ratified: wages (pay) including social insurance contributions and payments to the Russian Federation State Employment Fund; grants; state benefits; other social and compensatory payments for the population; food (food provision); acquisition of medicines and bandages; expenditure incurred in the implementation of the Programs "Children of Russia" and "Radiation Rehabilitation of the Ural Region Territories and Measures to Assist the Afflicted Population"; the Federal Financial Support Fund for Russian Federation Components; the repayment of the domestic commodity debt; the procurement of arms and military hardware; the funding of research and development work associated with national defense (as listed in secret Appendix 13).

Article 57.

Russian Federation components' executive organs shall be advised to make compensatory payments to children only on a targeted basis, to poorly off families.

Article 58.

The Russian Federation Government shall be instructed to formulate within three months the procedure whereby allocation of federal budget funds on a nonrepayable basis for the construction, retooling, and modernization of enterprises and organizations makes provision for increasing (registering) the proportion of federal ownership at these enterprises and organizations by means of obtaining an additional block of shares.

Article 59.

The Russian Federation Government shall be instructed to examine the proposals submitted by the State Duma Committee for Security on boosting the effectiveness of foreign economic activity. It shall be laid down that additional federal budget revenue derived from law enforcement organs' elimination of violations of existing legislation not taken into account in 1995 federal budget revenue shall be channeled, on the submission of the Russian Federation Government, primarily into funding law-enforcement organs, with the appropriate adjustment to the federal budget.

Article 60.

It shall be laid down that additional federal budget revenue in 1995 in excess of the sums laid down by Article 1 of this federal law, except for income from targeted budget funds, shall be channeled into increasing expenditure envisaged by Article 17 of this federal law in proportions laid down in that article, and primarily into the funding of science and fundamental research, up to R800 billion. Should it prove necessary to change the proportions governing the allocation of additional federal budget revenue in 1995 the Russian Federation Government shall submit the corresponding proposals to the Russian Federation Federal Assembly State Duma for ratification.

Article 61.

The Russian Federation Government shall submit the quarterly allocation of federal budget revenue and expenditure in 1995 to the Russian Federation Federal Assembly for ratification within a month of this federal law's coming into force.

Article 62.

This federal law comes into force from the day it is officially published.

[Signed] Russian Federation President B. Yeltsin
[Dated] The Kremlin, Moscow, 31 March 1995
No. 39-FL

Revenue from Sale, Use of State-Owned Property

MM1104140595 Moscow ROSSIYSKAYA GAZETA in Russian 7 Apr 95

[Appendix 1 to the federal law "On the Federal Budget for 1995": "Revenue Received By 1995 Federal Budget From the Sale and Use of State-Owned Property"—from the "Business in Russia" section page 1]

[FBIS Translated Text]

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	Billions of rubles
Income from federal property or activity	7,406.4
of which:	
dividends on federally owned shares	82.6
lease payments and purchases of leased property	123.8
transfer of Central Bank of the Russian Federation profits for 1994 and 1995	7,200.0
Income from the sale of state-owned and municipally owned property	8,773.6
of which:	
shares in existing and newly created oil companies	6,842.8
shares released from federal ownership	918.5
shares held by the Russian Federal Property Fund	486.2
shares in newly privatized enterprises	80.2
tracts of land for privatized enterprises	104.9
sale of unfinished projects	341.0

Distribution of 1995 Budget Appropriations

MM1204190295 Moscow ROSSIYSKAYA GAZETA in Russian 7 Apr 95

[Appendix 2 to the federal law "On the Federal Budget for 1995": "Distribution of Appropriations from the Federal Budget for 1995 by Russian Federation Ministry, Department, and Organization As Envisaged by Article 17, Excluding Appropriations from Targeted Budgetary Funds"—from the "Business in Russia" section, pages 1-2]

[FBIS Translated Text]

Name	Ministry or department code	Section	Level of financing (millions of rubles)
Total			236,419,079.7
Russian Federation Ministry of Foreign Economic Relations	004		25,600.0
state administration	004	01	14,214.1
international activity	004	02	7,273.4
education	004	13	3,003.2
health care and physical fitness	004	16	1,109.3
Russian Federation State Committee for the Defense Sectors of Industry	010		193,423.2
state administration	010	01	11,738.4
industry, power generation, and construction	010	06	106,273.0
education	010	13	74,458.8
health care and physical fitness	010	16	953.0
Russian Federation Ministry of Fuel and Energy	020		318,560.0
state administration	020	01	11,127.4
industry, power generation, and construction	020	06	261,526.1
education	020	13	45,724.0
health care and physical fitness	020	16	182.5
Russian Federation Ministry of Railways	022		1,004,971.5
state administration	022	01	10,617.3
education	022	13	485,703.9
culture and art	022	14	17,303.7
health care and physical fitness	022	16	491,346.6
Russian Federation Ministry of Railways Federal Administration of Railroad Troops	029		328,322.6
industry, power generation, and construction	029	06	328,322.6
"Transstroy" Joint-Stock Company-Corporation	032		85.4

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Name	Ministry or department code	Section	Level of financing (millions of rubles)
industry, power generation, and construction	032	06	85.4
Russian Federation President's Committee for Computerization Policy	033		1,063.0
state administration	033	01	1,063.0
Russian Federation Committee for the Chemical and Petrochemical Industry	038		43,845.7
state administration	038	01	2,144.5
industry, power generation, and construction	038	06	23,355.5
education	038	13	18,345.7
Russian Federation Committee for Machine Building	048		5,772.3
state administration	048	01	5,732.2
culture and art	048	14	40.1
Russian Federation committee for Geology and the Use of Natural Resources	050		1,743,400.8
state administration	050	01	2,325.0
industry, power generation, and construction	050	06	1,735,837.9
education	050	13	5,113.5
culture and art	050	14	124.4
Russian Federal Service for Foreign-Exchange and Export Controls	053		5,174.5
state administration	053	01	5,174.5
Russian Federation Ministry of Health and Medical Industry	054		2,991,871.3
state administration	054	01	5,579.0
education	054	13	466,886.9
culture and art	054	14	660.8
health care and physical fitness	054	16	2,498,221.8
social policy	054	17	20,522.8
Russian Federation State Committee for Industrial Policy	055		152,737.0
state administration	055	01	2,618.6
industry, power generation, and construction	055	06	150,000.0
culture and art	055	14	118.4
Russian Federation Ministry of Culture	056	01 [as published]	1,352,217.7
state administration	056	01	4,551.4
education	056	13	105,447.3
culture and art	056	14	1,242,219.0
"Rossiyskiy Tsirk" State Company	057		46,699.4
culture and art	057	14	46,699.4
"Montazhspetsstroy" Corporation	064		1,516.3
industry, power generation, and construction	064	06	1,516.3
Russian Federation Ministry of the Environment and Natural Resources	070		110,058.8
state administration	070	01	79,948.5
protection of the environment and natural resources, hydrometeorology, cartography, and geodesy	070	08	29,843.8
education	070	13	266.5

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Name	Ministry or department code	Section	Level of financing (millions of rubles)
Russian Federation Committee for Land Resources and Land Management	071		396,767.1
state administration	071	01	99,521.2
agriculture and fisheries	071	07	297,044.9
education	071	13	201.0
Russian Federation Ministry of Education	075		2,709,684.8
state administration	075	01	3,628.1
education	075	13	2,705,462.3
social policy	075	17	594.4
Russian Federation Committee for Fishing	076		127,317.7
state administration	076	01	2,483.1
agriculture and fisheries	076	07	56,083.4
education	076	13	68,751.2
Russian Federation Ministry of Communications	078		85,504.9
state administration	078	01	3,414.9
transportation, highways, communications, and computers	078	09	44,378.0
education	078	13	37,622.4
culture and art	078	14	89.6
Russian Federation Ministry of Agriculture and Food	082		9,085,749.6
state administration	082	01	10,324.1
agriculture and fisheries	082	07	8,587,924.0
education	082	13	487,414.2
culture and art	082	14	87.3
Russian Federation Government State Grain Inspectorate	083		8,553.2
state administration	083	01	522.2
agriculture and fisheries	083	07	8,031.0
Russian Federation Committee for Trade	088		53,213.2
state administration	088	01	20,662.3
education	088	13	32,550.9
Russian Federation Ministry of Communications Federal Military Courier Service Administration	089		45,687.5
transportation, highways, communications, and computers	089	09	45,687.5
Russian Coal Company State	091		7,531,114.0Enterprise
industry, power generation, and construction	091	06	7,531,114.0
Russian Federation Ministry of Finance	092		90,851,557.6
state administration	092	01	951,309.1
international activity	092	02	20,964,849.3
national defense	092	03	200,740.1
industry, power generation, and construction	092	06	1,384,231.3
agriculture and fisheries	092	07	51,514.5
protection of the environment and natural resources, hydrometeorology, cartography, and geodesy	092	08	367.4
development of market infrastructure	092	10	5,746.6
prevention and elimination of emergencies and the consequences of natural disasters	092	12	1,003,969.7
education	092	13	18,225.2

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Name	Ministry or department code	Section	Level of financing (millions of rubles)
culture and art	092	14	55.0
health care and physical fitness	092	16	1,085.9
social policy	092	17	1,466,754.3
servicing of state debt	092	18	22,941,791.0
other expenditure not covered under other sections	092	30	41,860,918.2
Russian Federation Ministry of Communications Federal Postal Communications Administration	093		57,586.2
state administration	093	01	768.8
transportation, highways, communications, and computers	093	09	56,817.4
Russian Federation Committee for Metallurgy	094		27,968.3
state administration	094	01	2,856.9
education	094	13	25,111.4
Russian Federation Ministry of Atomic Energy	099		1,054,074.8
state administration	099	01	6,613.9
national defense	099	03	1,016,635.0
industry, power generation, and construction	099	06	17,153.6
education	099	13	13,672.3
Russian Federation Ministry of Transport	104		743,578.4
state administration	104	01	36,898.7
transportation, highways, communications, and computers	104	09	371,995.0
education	104	13	322,366.7
culture and art	104	14	54.6
health care and physical fitness	104	16	12,263.4
The "Rosbytsoyuz" Russian Union of Consumer-Service Enterprises and Organizations	106		33,493.6
education	106	13	33,493.6
The "Rossoyuzmestprom" Russian Union of Local-Industry Enterprises and Organizations	112		4,157.0
education	112	13	4,157.0
Russian Federation Ministry of Social Protection of the Population	117		456,625.7
state administration	117	01	6,105.8
education	117	13	169,099.2
health care and physical fitness	117	16	35,865.5
social policy	117	17	245,555.2
Russian Federation Ministry of Social Protection of the Population Nonstate Pension Fund Inspectorate	118		270.4
state administration	118	01	270.4
State Inspectorate for the Protection of the Freedom of the Press and the Mass Media	123		1,756.5
state administration	123	01	1,756.5
Russian State Maritime History and Culture Center	127		2,714.1
culture and art	127	14	2,714.1
Russian Federation Ministry Of Construction	133		85,588.3
state administration	133	01	5,460.8
education	133	13	78,411.3
culture and art	133	14	1,716.2

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Name	Ministry or department code	Section	Level of financing (millions of rubles)
Russian Federation Committee for the Press	134		95,835.6
state administration	134	01	3,740.1
education	134	13	3,095.5
mass media	134	15	89,000.0
Russian Federation Committee for Cinematography	136		145,683.0
state administration	136	01	1,504.9
education	136	13	9,708.0
culture and art	136	14	134,470.1
Russian Federation Ministry of Science and Technology Policy	139		4,011,653.9
state administration	139	01	3,537.5
fundamental research and promotion of scientific and technical progress	139	05	4,008,116.4
Russian Federation Ministry of Economics	140		18,856,807.0
state administration	140	01	21,427.8
industry, power generation, and construction	140	06	18,831,250.0
education	140	13	960.5
culture and art	140	14	68.1
health care and physical fitness	140	16	3,100.6
Russian Federation State Committee for Higher Education	141		3,415,986.1
state administration	141	01	2,805.4
education	141	13	3,413,180.7
Russian Federal Forestry Service	142		761,467.4
state administration	142	01	2,830.1
protection of the environment and natural resources, hydrometeorology, cartography, and geodesy	142	08	746,376.4
education	142	13	12,260.9
Russian Federal Migration Service	143		938,150.4
state administration	143	01	24,434.7
social policy	143	17	913,715.7
Russian Federal Service for Television and Radio Broadcasting	145		1,595,417.6
state administration	145	01	5,760.0
mass media	145	15	1,589,657.6
Russian Federation Ministry of Labor	148		10,269.5
state administration	148	01	3,390.6
education	148	13	6,878.9
Russian Federation State Committee for Statistics	149		324,677.0
state administration	149	01	316,920.9
education	149	13	7,756.1
Russian Federation Ministry for Cooperation with the CIS Member States	150		4,554.3
state administration	150	01	4,554.3
Russian Federation Ministry for Nationalities Affairs and Regional Policy	151		82,443.8
state administration	151	01	8,183.8
culture and art	151	14	21,200.0
social policy	151	17	53,060.0

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Name	Ministry or department code	Section	Level of financing (millions of rubles)
Russian Federation State Customs Committee	152		4,738.9
law-enforcement activity and safeguarding of security	152	04	3,657.9
education	152	13	1,081.0
Russian State Archives Service	154		31,086.6
state administration	154	01	31,086.6
Russian Federation Higher Certification Committee	155		835.1
state administration	155	01	835.1
Russian Federal Geodesy and Cartography Service	156		204,770.9
state administration	156	01	2,239.9
protection of the environment and natural resources, hydrometeorology, cartography, and geodesy	156	08	198,172.3
education	156	13	4,358.7
Russian Federal Service for Hydrometeorology and Environmental Monitoring	158		286,267.9
state administration	158	01	5,296.4
protection of the environment and natural resources, hydrometeorology, cartography, and geodesy	158	08	277,416.8
education	158	13	3,533.1
culture and art	158	14	21.6
Russian Federation Committee for Standardization, Metrology, and Certification	159		12,720.7
state administration	159	01	11,744.7
education	159	13	976.0
Russian Federation Committee for State Reserves	160		188,906.9
state administration	160	01	1,780.5
replenishment of state stocks and reserves	160	19	187,126.4
Russian Federation Government State Inspectorate to Ensure the State Monopoly on Alcoholic Products	161		3,618.8
state administration	161	01	3,618.8
Russian Federation State Committee for Anti-Monopoly Policy and Support of the New Economic Structures	162		22,685.6
state administration	162	01	22,685.6
Russian Federation State Committee for the Management of State Property	163		4,048.7
state administration	163	01	4,048.7
Russian Federation State Committee for Physical Culture and Tourism	164		103,813.8
state administration	164	01	2,547.9
education	164	13	51,718.7
health care and physical fitness	164	16	45,765.7
social policy	164	17	3,781.5
Russian Federation Committee for Patents and Trademarks	165		4,276.1
state administration	165	01	1,176.4
education	165	13	1,171.2
culture and art	165	14	1,928.5

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Name	Ministry or department code	Section	Level of financing (millions of rubles)
Russian Center for International Scientific and Cultural Cooperation	166		3,155.8
state administration	166	01	1,733.9
international activity	166	02	1,421.9
Academy of the National Economy	168		3,500.5
education	168	13	3,500.5
Russian Federal Employment Service	169		2,355.4
social policy	169	17	2,355.4
Russian Federation committee for Water Resources	170		69,709.5
state administration	170	01	1,554.9
protection of the environment and natural resources, hydrometeorology, cartography, and geodesy	170	08	68,154.6
Russian Federation Ministry for Affairs of Civil Defense, Emergency Situations, and Elimination of Natural Disasters	177		869,833.7
state administration	177	01	7,964.8
prevention and elimination of the consequences of emergencies and natural disasters [as published]	177	12	861,868.9
Russian Federation State Tax Service	181		1,411,438.4
state administration	181	01	1,408,669.5
education	181	13	2,281.4
health care and physical fitness	181	16	487.5
Russian Federation Foreign Intelligence Service	184		208,920.6
law-enforcement activity and safeguarding of security	184	04	208,920.6
Russian Federation Ministry of Defense	187		47,577,739.4
national defense	187	03	47,345,991.0
social policy	187	17	231,748.4
Russian Federation Ministry of Internal Affairs	188		10,408,730.1
law-enforcement activity and safeguarding of security	188	04	9,357,264.5
protection of the environment and natural resources, hydrometeorology, cartography, and geodesy	188	08	73.6
social policy	188	17	1,051,392.0
Russian Federation Federal Counterintelligence Service [FSK]	189		1,470,000.9
law-enforcement activity and safeguarding of security	189	04	1,013,577.6
social policy	189	17	456,423.3
Russian Academy of Agricultural Sciences	190		153,233.6
fundamental research and promotion of scientific and technical progress	190	05	150,295.0
education	190	13	2,872.7
culture and art	190	14	65.9
Federal Border Service	191		2,331,073.2
law-enforcement activity and safeguarding of security	191	04	2,331,073.2
Russian Federation Ministry of Defense Federal Highway Construction Directorate	192		397,525.7
industry, power generation, and construction	192	06	397,525.7

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Name	Ministry or department code	Section	Level of financing (millions of rubles)
Russian Federation Presidential Security Service [SBP]	193		33,710.4
law-enforcement activity and safeguarding of security	193	04	33,710.4
Working Center for Economic Reform	197		1,092.8
state administration	197	01	1,092.8
Russian Federation President's Federal Government Communications and Information Agency [FAPSI]	201		722,446.8
law-enforcement activity and safeguarding of security	201	04	722,446.8
Russian Federation Main Protection Directorate [GUO]	202		479,094.2
law-enforcement activity and safeguarding of security	202	04	479,094.2
The Russian Academy of Sciences Medical Association	204		26,071.8
health care and physical fitness	204	16	26,071.8
Russian Federation Tax Police Department	205		211,767.1
law-enforcement activity and safeguarding of security	205	04	211,767.1
Russian Federation Committee of High-Risk Subunit Veterans	242		4,933.3
health care and physical fitness	242	16	4,896.5
social policy	242	17	36.8
Russian Space Agency	258		1,027,732.5
state administration	258	01	3,257.7
fundamental research and promotion of scientific and technical progress	258	05	680,988.0
industry, power generation, and construction	258	06	343,486.8
Russian Federation President's Committee on Problems under Chemical and Biological Weapons Conventions	259		861.5
state administration	259	01	861.5
Russian Federation Committee for Youth Affairs	262		23,123.3
state administration	262	01	784.4
social policy	262	17	22,338.5
Russian Federation Government Center for the Economic Situation	263		3,784.3
state administration	263	01	3,784.3
Russian Federation Government Federal Administration for Special Construction	279		46,946.8
state administration	279	01	4,812.5
industry, power generation, and construction	279	06	25,897.6
health care and physical fitness	279	16	16,236.7
Russian Federation President's Administration of Affairs	303		566,437.4
state administration	303	01	510,454.6
education	303	13	4,269.0
culture and art	303	14	9,801.6
health care and physical fitness	303	16	41,912.2
Russian Federation Presidential Staff Administration for Planning and the Implementation of Special Programs	304		572,059.6

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Name	Ministry or department code	Section	Level of financing (millions of rubles)
prevention and elimination of emergencies and the consequences of natural disasters	304	12	572,059.6
Russian Federation Ministry of Foreign Affairs	310		91,728.0
state administration	310	01	46,998.9
international activity	310	02	25,456.3
education	310	13	17,457.3
health care and physical fitness	310	16	1,815.5
Russian Federal Mining and Industrial Inspectorate	316		46,462.3
state administration	316	01	46,446.7
education	316	13	15.6
Russian Federation Ministry of Justice	318		975,337.6
state administration	318	01	23,334.5
law-enforcement activity and safeguarding of security	318	04	950,569.9
education	318	13	1,433.2
Russian Academy of Sciences	319		691,637.1
fundamental research and promotion of scientific and technical progress	319	05	687,044.5
education	319	13	4,592.6
Russian Federation Government Medical Center	352		270,187.4
education	352	13	3,547.4
culture and art	352	14	30.3
health care and physical fitness	352	16	266,609.7
Russian Federation President's Commission for Russian Federation State Prizes in the Sphere of Science and Technology	353		166.4
state administration	353	01	166.4
M.V. Lomonosov Moscow State University	386		163,655.7
education	386	13	163,655.7
Russian Ministry of Health and Medical Industry's Federal Administration for Medical, Biological and Emergency [ekstremalnyy] Problems	387		152,175.3
state administration	387	01	1,958.0
education	387	13	2,127.5
health care and physical fitness	387	16	148,089.8
"Russian Farmer" Fund	394		314,685.4
agriculture and fisheries	394	07	314,685.4
Russian Federal Service for Supervision of Insurance Operations	395		3,189.6
state administration	395	01	3,182.5
education	395	13	7.1
Russian News and Telegraph Agency (ITAR-TASS)	397		48,732.3
mass media	397	15	48,732.3
Siberian Branch of the Russian Academy of Sciences	401		281,388.6
fundamental research and promotion of scientific and technical progress	401	05	256,900.0
education	401	13	6,278.2
health care and physical fitness	401	16	18,210.4
Siberian Branch of the Russian Academy of Medical Sciences	402		29,570.5

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Name	Ministry or department code	Section	Level of financing (millions of rubles)
fundamental research and promotion of scientific and technical progress	402	05	16,100.0
education	402	13	432.4
health care and physical fitness	402	16	13,038.1
"Orlenok" All-Russia Children's Center	406		12,893.8
education	406	13	12,893.8
"Okean" All-Russia Children's Center	407		6,875.5
education	407	13	6,875.5
Russian State Academic Bolshoy Theater	409		31,199.0
culture and art	409	14	31,199.0
Prosecutor's Office organs	415		609,525.6
law-enforcement activity and safeguarding of security	415	04	606,944.9
education	415	13	2,580.7
NOVOSTI Russian News Agency	418		19,864.0
mass media	418	15	19,864.0
Russian Academy of Medical Sciences	423		65,300.0
fundamental research and promotion of scientific and technical progress	423	05	65,300.0
Russian Academy of Arts	425		9,445.6
fundamental research and promotion of scientific and technical progress	425	05	5,186.2
education	425	13	4,259.4
Russian Federation Government Press Center	426		921.2
state administration	426	01	921.2
Russian Federation Higher Court of Arbitration	434		89,206.2
law-enforcement activity and safeguarding of security	434	04	88,839.4
education	434	13	366.8
Russian Federation Constitutional Court	436		12,256.9
law-enforcement activity and safeguarding of security	436	04	12,256.9
Russian Federation Supreme Court	437		13,408.3
law-enforcement activity and safeguarding of security	437	04	13,408.3
Russian Defense, Sport, and Technical Organization (ROSTO)	464		13,640.7
national defense	464	03	13,640.7
Russian FSO [abbreviation unknown] "Yunost Rossii" Council	465		5,618.0
education	465	13	5,618.0
Russian Federation Committee for Precious Metals and Precious Stones	476		10,011,372.3
state administration	476	01	1,688.6
replenishment of state stocks and reserves	476	19	10,009,683.7
Russian Ministry of Construction's "Dalspetsstroy" Federal Specialized Administration	483		24,702.6
industry, power generation, and construction	483	06	24,702.6
Urals Branch of the Russian Academy of Sciences	486		74,899.0

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Name	Ministry or department code	Section	Level of financing (millions of rubles)
fundamental research and promotion of scientific and technical progress	486	05	72,800.0
education	486	13	1,360.3
health care and physical fitness	486	16	738.7
Far Eastern Branch of the Russian Academy of Sciences	494		99,834.1
fundamental research and promotion of scientific and technical progress	494	05	95,700.0
education	494	13	724.2
health care and physical fitness	494	16	3,409.9
Russian Federal Inspectorate for Nuclear and Radiation Safety	497		12,983.2
state administration	497	01	12,914.9
education	497	13	68.3
"Rossiya" State Transport Company	504		11,533.6
transportation, highways, communications, and computers	504	09	11,533.6
Ye.D. Stasova Boarding School	519		739.1
education	519	13	739.1
Russian Federation State Committee for Sanitary and Epidemiological Supervision	570		709,690.0
state administration	570	01	1,527.8
education	570	13	177.1
health care and physical fitness	570	16	707,985.1
Russian Academy of Education	573		26,237.4
fundamental research and promotion of scientific and technical progress	573	05	18,700.0
education	573	13	7,537.4
Russian State Assay Office	574		1,177.3
replenishment of state stocks and reserves	574	19	1,177.3
Russian State Administrative Service Academy	579		24,361.4
education	579	13	24,361.4
Russian Federation President's State Technical Commission	588		1,508.2
state administration	588	01	1,508.2
"Kizhi" State Historical,Architectural, and Ethnographic Museum and Conservation Area	590		3,559.3
culture and art	590	14	3,559.3
Russian Federation State Film Foundation	591		10,819.5
culture and art	591	14	10,819.5
Russian Federation Presidential Staff's "Yuridicheskaya Literatura" Publishing House	644		5,473.7
state administration	644	01	5,473.7
Apparatus of the Russian Federation Commissioner for the Saimaa Canal	654		102.2
state administration	654	01	102.2
All-Russia Society for the Blind	665		2,574.7
social policy	665	17	2,574.7
Russian Ministry of Labor Service for the Resolution of Labor Disputes	669		477.7

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Name	Ministry or department code	Section	Level of financing (millions of rubles)
state administration	669	01	477.7
Russian Academy of Architecture and Construction Sciences	677		2,900.0
fundamental research and promotion of scientific and technical progress	677	05	2,900.0
Russian Federation State Committee for the Management of State Property Federal Administration for Insolvency (Bankruptcy)	720		8,786.8
state administration	720	01	8,786.8

Budget Appropriations for Fundamental Research Detailed

MM1204142195 Moscow ROSSIYSKAYA GAZETA in Russian 7 Apr 95

[Appendix 7 to the Federal Law "On the Federal Budget for 1995": "Distribution of Appropriations for Fundamental Research from the Federal Budget for 1995"—from the "Business in Russia" section, page 4]

[FBIS Translated Text]

	Millions of rubles
1. Fundamental research	1,775,152.0
of which:	
Russian Academy of Sciences	687,044.5
Siberian Branch of the Russian Academy of Sciences	256,900.0
Russian Academy of Medical Sciences	65,300.0
Siberian Branch of the Russian Academy of Medical	16,100.5
Sciences Urals Branch of the Russian Academy of Sciences	72,800.0
Far Eastern Branch of the Russian Academy of	95,700.0
Sciences Russian Academy of Education	18,700.0
Russian Academy of Architecture and Construction	2,900.0
Sciences Russian Fundamental Research Fund, total	404,226.3
of which:	
Competitive Individual Support Fund for Leading Academic and Scientific Schools	100,000.0
creation of computer communications networks and data bases for fundamental science and education	61,530.0

*DELOVOY MIR Economic Statistics, 20 March

954E0834A Moscow DELOVOY MIR in Russian 29 Mar 95 p 3

[Survey of economic statistics prepared from data of the Russian State Committee on Statistics: "Socioeconomic Situation as of 20 March"]

[FBIS Translated Text] **PRICES FOR CONSUMER PRODUCTS AND SERVICES. During the period 14 through 20 March, an increase of 102.5 percent was observed in the prices of consumer products and services, including 102.2 percent for food products, 102.9 percent for nonfood products, and 103.2 percent for paid services to the populace.**

The greatest weekly increase in prices of consumer goods and services was registered in cities of the West-Siberian region (3.7 percent); the lowest—in the Volga-Vyatka and Central Chernozem regions (1.7 percent).

The following table shows price indices with respect to goods and services on the consumer market:

	Percentage of previous price-registration date			Average daily increase in prices	
	6 Mar	13 Mar	20 Mar	March	February
Consumer goods and services:	102.7	101.7	102.5	0.34	0.37
including:					
food products	102.5	101.7	102.2	0.32	0.35
nonfood products	102.5	101.7	102.9	0.35	0.32
paid services to the populace	103.8	102.0	103.2	0.44	0.64

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Consumer prices rose 7.1 percent since the beginning of the month, including a 6.6 percent rise in food products, 7.2 percent rise in nonfood products, and 9.3 percent rise in paid services to the populace.

If the trend here observed continues, the index of consumer prices for March will be 109 percent.

FOOD PRODUCTS. A certain increase in the rate of growth of prices for food products was observed the past week.

Price dynamics for the main groupings of food products are as follows:

	Percentage of previous price-registration date		
	6 Mar	13 Mar	20 Mar
All food products:	102.5	101.7	102.2
including:			
meat and meat products	102.3	101.7	102.1
fish and fish products	102.4	101.6	102.8
edible fats	101.0	100.1	100.3
milk and dairy products	103.9	102.1	102.1
sugar	101.4	101.1	101.4
bread and bakery products	104.0	101.9	102.7
macaroni and cereal products	102.8	101.9	102.3
fruits and vegetables, including potatoes	102.9	102.4	102.8

An increase was seen in the rate of price growth over the past week for the majority of food products. Prices for fish, bread made from wheat flour, cabbage, carrots, and apples increased 3-4 percent. Bread prices increased 20-30 percent in Bryansk, Tver, Stavropol, and Barnaul. Prices of vegetables increased 20-30 percent in Syktyvkar, Ukhta, Bryansk, Pskov, Tolyatti, Barnaul, and Novosibirsk. The prices of butter, margarine, and potatoes remained virtually at their previous level; prices of eggs decreased somewhat.

Since the beginning of the month, prices of milk and dairy products, cheese, bread, and bakery products increased 8-9 percent, fruits—11 percent, meat and meat products, fish and fish products, flour, cereals, macaroni, and alcoholic beverages—6-7 percent. The prices of butter and fats remained virtually at their February level. Egg prices fell 4 percent.

The cost of a selection of 19 food products came to R154,600 [rubles] on the average across Russia. The maximum cost continued to be observed in cities of the Far East and Eastern Siberia, the minimum cost—in cities of the Volga region. A 3.6-fold differentiation by city was observed between maximum and minimum cost of the food product selection.

NONFOOD PRODUCTS. The rate of price growth for nonfood products during the period 14 through 20 March of this year was higher than that of food products. The greatest increase (4-5 percent) affected spring and summer clothing and footwear, cotton and silk fabric, products for infants, cotton bedclothes, and medicines. Prices for detergents, furniture, china, and utensils increased 2.5-3.5 percent.

Since the beginning of the month, an increase of 9-12 percent was seen in prices of glassware, school stationery, pens and pencils, office products, medicines, and gasoline. Clothing, footwear, detergents, furniture, and building materials increased 5-8 percent in price.

PAID SERVICES TO THE POPULACE. During the period 14 through 20 March, the largest rate increases were registered with respect to passenger transportation services (5.6 percent). Fares for city transportation, suburban trains, and air transport rose 4-7 percent. The cost of travel by metro in Moscow rose by a factor of 1.5, while travel by suburban train in Ivanovo, Rostov-na-Donu, Orenburg, Omsk, Irkutsk, and Birobijan increased by a factor of 2-2.5. The greatest increases in cost of consumer services were observed with respect to studio-photography and apartment repair services (4-5 percent). As far as municipal services are concerned, the cost of gas continues to rise (22 percent). Gas prices rose 10-fold in Ivanovo, Kostroma, Saransk, Kursk, Tambov, Astrakhan, Saratov, and Tomsk.

The greatest rate increases since the beginning of the month were observed with respect to passenger transportation services and housing and municipal services (11 percent). Gas service increased 40 percent, water supply—12 percent, living costs in municipal housing assets—7 percent. Rates for consumer services, health care services, and child care in pre-school institutions rose 6-8 percent.

INDUSTRY.

The consolidated index for average daily output of main production varieties over the first 19 days in March 1995 was 102 percent of the figure for the same period of February 1995 (this index was 97 percent in March 1994), and 96 percent of the figure for the same period of March 1994 (74 percent in March 1994).

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Production output of the most important industrial production varieties over the first 19 days of March 1995 at large- and mid-scale enterprises is characterized by the following data:

	Output over the first 19 days of March 1995	Percentage of indicated period (average daily production)	
		March 1994	February 1995
Electric power generated by general-use power stations, billion kwh	48.6	95	91
Oil, including gas condensate, million tonnes	15.2	103	100.4
Natural gas, billion cubic meters	34.1	99	98
Coal, million tonnes	13.1	92	92
Steel, million tonnes	2.7	118	107
Finished rolled metal, including procurement for export, million tonnes	1.9	109	98
Steel pipe, tonnes	143,000	87	91
Coke, million tonnes	1.5	112	110
Wheeled-vehicle cranes, each	115	61	58
Metal-cutting machine tools, each	195	80	109
Light vehicles, each	38,800	89	100.5
Tractors, each	1,200	117	159
Chemical fiber and filament, tonnes	10,800	109	107
Mineral fertilizers (in terms of 100 percent nutritive substance), tonnes	474,000	129	107
Synthetic rubbers, tonnes	42,600	111	108
Commercial timber, million cubic meters	3.4	95	92
Sawn lumber, cubic meters	437,000	84	90
Marketable cellulose, tonnes	107,000	208	99.4
Paper, tonnes	128,000	118	98
Cement, million tonnes	1.5	102	119
Slate, million standard slabs	71.2	99.5	98
Construction brick, million standard bricks	347	90	99.6
Asbestos-cement pipe, sleeves and joints, kilometers of standard pipe	268	86	107
Fabric (total), million square meters	57.0	47	63
Socks and hosiery, million pair	8.6	52	67
Knitted articles, million	4.4	48	84
Footwear, million pair	1.5	54	79
Television sets, each	45,400	36	75
Radios, each	32,900	87	117
Refrigerators and freezers, each	82,400	70	38
Electric vacuum cleaners, each	27,500	59	114
Washing machines, each	49,500	58	63
Meat, including Category I by-products, tonnes	46,700	60	95
Whole-milk production in terms of milk, tonnes	234,000	72	99.6
Butter, tonnes	9,700	67	125

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STATE OF RECIPROCAL PAYMENTS AND ACCOUNTS.

As of the beginning of February 1995, the total delinquent indebtedness of enterprises of industry, transportation, construction, and agriculture (including debts on credits and loans) had increased 6 percent as compared with the previous month, amounting to R105.2 trillion. In January of this year, the average monthly volume of this indebtedness exceeded the value of gross domestic product produced over the month by a factor of 1.3 (in first quarter 1994 this index was 0.8, second quarter—0.9, third quarter—1.1, and fourth quarter—1.2).

Creditor indebtedness accounted for 94 percent of the total delinquent indebtedness, debts with respect to bank credits—5 percent, loans—0.7 percent.

The structure and dynamics of delinquent creditor indebtedness of enterprises and organizations of industry, transportation, construction, and agriculture are as shown in the following table (as of the beginning of the month, in rubles):

	Delinquent creditor indebtedness (total)	Including:			
		Debts to suppliers	Debts to suppliers on issued bills of exchange	Debts on payments to the budget	Debts on payments to state nonbudget funds
December 1994	84.877 trillion	54.877 trillion	x	17.924 trillion	x
Percentage of previous month	104.2	104.7	x	109.1	x
January 1995	90.350 trillion	56.780 trillion	x	19.328 trillion	x
Percentage of previous month	106.4	103.5	x	107.8	x
February 1995	99.028 trillion	55.054 trillion	128 billion	20.039 trillion	4.803 trillion
Percentage of previous month	109.6	97.0	x	103.7	x

Significant growth of delinquent creditor indebtedness in January 1995 was observed at enterprises of agriculture (30 percent), electric power supply (17 percent), machine-building and metalworking (18 percent), and the fuel industry (15 percent). At the same time, a reduction was noted at enterprises of ferrous metallurgy, the flour-grinding industry, and chemical and petrochemical industry (18, 13, and 6 percent, respectively).

Delinquent indebtedness of enterprises and organizations with respect to bank credits in surveyed sectors as of 1 February 1995 amounted to R5.5 trillion, or 14 percent of the total amount of this indebtedness. Some R709 billion—12.9 percent of the total delinquent indebtedness for all credits—was attributable to delinquent indebtedness with respect to centralized credits.

The greatest share of delinquent indebtedness with respect to bank credits was attributed to the timber, woodworking, and pulp and paper industry (20 percent), the textile industry (30 percent), microbiology industry (21 percent), and agriculture (25 percent).

Delinquent indebtedness for loans amounted to R0.7 trillion, or 9.3 percent of the total loan indebtedness.

A significant share of the delinquent indebtedness for loans was observed in chemical and oil machine-building (50 percent of the total indebtedness for loans), machine-tool construction and instrument industry (30 percent), motor vehicle industry (27 percent), timber, woodworking, and pulp and paper industry (13 percent), and microbiology industry (14 percent).

Delinquent debtor indebtedness of surveyed industrial and agricultural enterprises, construction and transportation organizations, increased 4.8 percent over the month, amounting to R84.2 trillion as of 1 February 1995. This accounts for 53.0 percent of the total volume of debtor indebtedness. Delinquent debtor indebtedness in excess of three months amounted to R54.2 trillion, or 64.4 percent of the total delinquent indebtedness.

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The structure and dynamics of delinquent debtor indebtedness are characterized by the following data (as of the beginning of the month, in rubles):

	Delinquent debtor indebtedness (total)	Including:		
		Debts of purchasers	Debts of purchasers on received bills of exchange	Debts of state customers on payments for delivered production
December 1994	77.893 trillion	67.882 trillion	x	x
Percentage of previous month	105.9	106.2	x	x
January 1995	80.395 trillion	69.282 trillion	x	x
Percentage of previous month	103.2	102.1	x	x
February 1995	84.226 trillion	73.388 trillion	211 billion	7.287 trillion
Percentage of previous month	104.8	105.9	x	x

The following table indicates how creditor indebtedness exceeded debtor indebtedness in main sectors of the economy as of 1 February 1995 (in rubles):

	Debtor indebtedness	Creditor indebtedness	Creditor indebtedness excess over debtor indebtedness	
			Total	Percentage of debtor indebtedness
Industry	115.627 trillion	135.829 trillion	20.202 trillion	17.5
Agriculture	4.082 trillion	9.182 trillion	5.100 trillion	124.9
Transportation	23.278 trillion	25.399 trillion	2.121 trillion	9.1
Construction	15.772 trillion	16.437 trillion	665 billion	4.2

The solvency of enterprises of industry, construction, agriculture, and transportation (correlation of monetary assets and delinquent indebtedness to suppliers) in 1994 is characterized by the following data:

	As of the beginning of the month		
	December 1994	January 1995	February 1995
Monetary assets of enterprises as percentage of delinquent indebtedness to suppliers	23.7	18.0	18.7
Industry	24.7	17.1	18.7
Construction	14.3	21.2	21.1
Agriculture	19.0	16.8	11.9
Transportation	26.0	21.2	19.9

At enterprises of the electric power, nickel-cobalt, tire, rubber-asbestos, coal, gas, walling materials, and transportation pipeline industries for general use, monetary assets covered delinquent indebtedness to suppliers by 3-11 percent.

Delinquent Creditor Indebtedness as of 1 February 1995 by Sector of the Economy, Rubles

	Number of enterprises with delinquent creditor indebtedness	Delinquent creditor indebtedness (total)	Including:		
			Debts to suppliers	Debts to the budget	Debts on payments to state nonbudget funds
Industry	14,904	73.247 trillion	40.638 trillion	15.373 trillion	3.973 trillion
including:					
electric power	239	12.111 trillion	7.979 trillion	1.216 trillion	340 billion
fuel	456	25.279 trillion	12.453 trillion	8.064 trillion	1.846 trillion
including:					
oil extraction	67	12.035 trillion	4.614 trillion	5.495 trillion	690 billion

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Delinquent Creditor Indebtedness as of 1 February 1995 by Sector of the Economy, Rubles (Continued)

	Number of enterprises with delinquent creditor indebtedness	Delinquent creditor indebtedness (total)	Including:		
			Debts to suppliers	Debts to the budget	Debts on payments to state nonbudget funds
oil refining	32	4.324 trillion	3.272 trillion	251 billion	407 billion
gas	19	4.598 trillion	2.997 trillion	1.328 trillion	474 billion
coal	251	4.303 trillion	1.961 trillion	981 billion	275 billion
ferrous metallurgy	197	5.128 trillion	3.386 trillion	4.921 trillion	341 billion
nonferrous metallurgy	186	3.674 trillion	1.697 trillion	600 billion	268 billion
chemical and petrochemical	440	4.810 trillion	3.899 trillion	225 billion	39 billion
machine-building and metalworking	480	14.008 trillion	6.593 trillion	3.312 trillion	720 billion
timber, woodworking, and pulp and paper	2,227	2.422 trillion	1.161 trillion	552 billion	152 billion
glass, porcelain, and pottery	115	153 billion	104 billion	17 billion	5 billion
light industry	1,732	1.013 trillion	512 billion	224 billion	52 billion
food industry	2,544	2.088 trillion	1.096 trillion	404 billion	138 billion
Agriculture	21,251	5.388 trillion	2.755 trillion	560 billion	210 billion
Transportation	3,672	12.285 trillion	7.964 trillion	1.965 trillion	194 billion
Construction	9,909	8.109 trillion	3.698 trillion	2.141 trillion	426 billion

Delinquent Debtor Indebtedness as of 1 February 1995 by Sector of the Economy, Rubles

	Number of enterprises with delinquent debtor indebtedness	Delinquent debtor indebtedness (total)	Including:		
			Debts of purchasers	Debts of purchasers on received bills of exchange	Debts of state customers on payments for delivered production
Industry	15,504	60.810 trillion	52.155 trillion	199 billion	5.864 trillion
including:					
electric power	252	15.314 trillion	13.778 trillion	16 billion	902 billion
fuel	446	17.666 trillion	14.854 trillion	42 billion	2.951 trillion
including:					
oil extraction	69	7.780 trillion	6.468 trillion	15 billion	1.871 trillion
oil refining	32	3.638 trillion	3.020 trillion		263 billion
gas	20	3.667 trillion	3.016 trillion	27 billion	716 billion
coal	240	2.835 trillion	2.315 trillion	-	100 billion
ferrous metallurgy	204	5.657 trillion	4.874 trillion	1 billion	414 billion
nonferrous metallurgy	185	2.373 trillion	15.085 trillion	105 billion	67 billion
chemical and petrochemical	454	3.866 trillion	3.526 trillion	3 billion	142 billion
machine-building and metalworking	4,173	9.581 trillion	8.339 trillion	124 billion	1.153 trillion
timber, woodworking, and pulp and paper	2,173	1.289 trillion	1.047 trillion	2 billion	57 billion
glass, porcelain, and pottery	126	116 billion	103 billion	-	1 billion

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Delinquent Debtor Indebtedness as of 1 February 1995 by Sector of the Economy, Rubles (Continued)

	Number of enterprises with delinquent debtor indebtedness	Delinquent debtor indebtedness (total)	Including:		
			Debts of purchasers	Debts of purchasers on received bills of exchange	Debts of state customers on payments for delivered production
light industry	1,719	760 billion	666 billion	-	26 billion
food industry	3,050	2.056 trillion	1.546 trillion	1 billion	61 billion
Agriculture	18,585	1.834 trillion	1.494 trillion	2 billion	192 billion
Transportation	3,879	13.352 trillion	12.290 trillion	6 billion	184 billion
Construction	10,098	8.230 trillion	7.450 trillion	4 billion	1,047 trillion

FREIGHT SHIPMENTS TO THE NORTH

As of 1 March 1995, 6 percent more freight was shipped to regions of the North by maritime transportation than as of the same date the year before.

	January-February 1995	Percentage of January-February 1994 level
Total freight shipped, tonnes	468,000	106
including:		
Dry cargo	376,000	123
Liquids	92,000	67

Maritime freight shipments to the port Dudinka increased 2.9-fold over the level of January-February 1994, to the Kuril Islands region—2.1-fold.

At the same time, volume of freight transported to the port Petropavlovsk-Kamchatskiy was reduced by 7 percent, to Magadan—by 18 percent. Lesser volumes of liquid cargo were shipped to these ports—by 58 and 23 percent, respectively.

Over February of this year, the volume of cargo designated for delivery to the North remaining in major seaports increased 22 percent, on the whole. There was a fourfold increase in the volume of such cargo remaining in the port Vostochnyy. At the same time, these volumes decreased by 35 percent in the port Kandalaksha, 18 percent in Vladivostok, 17 percent in Vanino, and 7 percent in Arkhangelsk.

As compared with 1 March 1994, the volumes of cargo designated for shipment to the North were 29 percent less, on the whole, including in the ports Kandalaksha—85 percent less, Vanino—73 percent less, Arkhangelsk—37 percent less, and Vladivostok—28 percent less.

"Survey of Commercial Bank Activities in 1994

954E0802A Moscow DELOVOY MIR in Russian No 11, 20-26 Mar 95 p 4

[Andrey Novikov, Moscow Financial Information Analysis Center: "Where Were the Russian Banks Headed in 1994?"]

[FBIS Translated Text] For more than a year DELOVOY MIR has been publishing lists of quantitative indicators of the performance of Russian commercial banks, illustrating various parameters in descending order. Responses from readers have confirmed that this information is necessary and that they use it when they make decisions on the advisability of doing business with various banks.

The indicators presented in these lists, however, can also serve as the basis for more general conclusions. An analysis of those indicators provides some idea of basic trends in the development of Russia's largest banks as a group of financial institutions manipulating financial flows in the country.

We will attempt a more detailed analysis of the parameters of the performance of commercial banks and begin by setting some guidelines for an assessment of the development of the Russian banking system. First of all, we will choose the 100 largest banks, in terms of total assets, from the more than 2,000 banks in Russia. This choice is based on the distinctive distribution of funds among commercial banks: The 10 largest have accumulated around 40 percent of all assets, and the indicator exceeds 50 percent for the top 20 banks. There are no regional banks in the top 20, however, and the analysis would not be complete without indicators of their performance.

Now we will define the performance indicators we plan to analyze.

One of the most important is the indicator of **total assets.** This term, however, is often used to refer to completely different items on the bank balance sheet. The assets of the commercial banks listed in the tables will constitute the comprehensive bank balance (initial capital, difference between income and expenditures, etc.), made up of the bank's own assets (i.e., the funds it uses in its work) and the remaining funds in "auxiliary" accounts. Of course, these funds should not be included in the assets of a bank because they do not represent capital invested by the bank for the generation of income. The "auxiliary" accounts include the following: 890 (settlements

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between branches of the same bank), 893 (settlements between branches of a single bank for the redistribution of credit resources), 100 and the group of accounts in item 13 (the resources of budgets on different levels), 950 (distributed profit), 076 (settlements for other foreign operations), some sub-accounts of account 904 (other debtors and creditors), and so forth.

The funds in these accounts may constitute a sizable portion of the comprehensive balance without actually representing bank assets. On 1 January 1995, for example, these accounts represented more than 14.5 percent of the balances of the top 100 banks. Unfortunately, data for 1 July and 1 January 1994 do not include this information, but in view of the general strategy of the development and expansion of the branch network of the largest Russian banks in the past year, we can assume that interbank turnover and other such accounts represented a smaller portion of the comprehensive balance in earlier periods.

Another indicator of considerable interest is **capital**, representing all of the bank's own funds, calculated according to the method defined in Central Bank Regulation No 1. The bank's own resources consist of its own funds, its income and profit minus expenditures, losses, and investments in enterprise shares and stock.

Private deposits are all the remaining funds in accounts in which rubles have been deposited by organizations and private individuals. Regrettably, this indicator is not an accurate reflection of the state of affairs in banks conducting sizable operations with foreign currency. This method of calculating this indicator, however, is more useful for the population, which makes most of its deposits in rubles.

The **credits** in the tables refer to the remaining loans owed to the bank in rubles by enterprises, organizations, and private individuals. This is not an accurate indicator of the status of banks working mainly with foreign currency either.

The **profit** of commercial banks in the tables is the amount listed in item 980 on the balance sheet. In our opinion, however, this could lead to misinterpretations of profit dynamics. Accounting procedures in commercial banks conducting operations in foreign currency necessitate the addition of balance account 019 (revaluation of forex resources). This is used to calculate bank income and expenditures when the exchange rates of foreign currency change and the currency is not to be converted into Russian rubles. With a deposit of 3,000 rubles in authorized capital, for example, a bank may purchase 1 dollar (in cash) at the rate of 3,000 rubles and not sell it until the rate has risen to 3,500 rubles. Then the initial bank balance will look like this:

Account No	Assets	Liabilities
010 (authorized capital)	0	3,000
060 (foreign currency in cash)	3,000	0
Total	3,000	3,000

The final bank balance will look like this:

Account No	Assets	Liabilities
010 (authorized capital)	0	3,000
019 (revaluation)	0	500
060 (foreign currency in cash)	3,500	0
Total	3,500	3,500

The problem of comparing profit figures on different dates is that the amounts in account 019 are included in bank profits only at the end of the year. Therefore, if the dollar exchange rate remains the same until the end of the year, the year-end results of the bank balance will look like this:

Account No	Assets	Liabilities
010 (authorized capital)	0	3,000
019 (revaluation)	0	0
060 (foreign currency in cash)	3,500	0
980 (profit)	0	500
Total	3,500	3,500

Now let us assume that the second balance of our bank was the balance sheet for the first half of the year. Then we would not see the profit the bank earned during the first half of the year until the end. This means that we have to take a cautious approach to assessments of profit dynamics when we use mid-year data and to any conclusions based on these assessments.

With this "concealed arithmetic" in mind, we can move on to an analysis of the development of the banking system. The total assets of the top 100 banks increased 3.67-fold during the year (including a 1.85-fold increase in the first half of the year and a 1.98-fold increase in the second) with an annual inflation index of around 2.9. In view of this, the increase in actual assets (excluding various accounts not categorized as bank investments) was even greater. This proves, first of all, that financial conditions in the second six months (the quicker rate of rise in the dollar exchange rate, the rise in interest rates, the wider margin between attracted and distributed resources, etc.) last year were used with considerable success by the banks for development and, second, that the real assets (adjusted for inflation) of the banks also increased.

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The total profit of the top 100 commercial banks also increased from 3.117 trillion rubles in 1993 to 7.656 trillion last year, but the relationship between total profit and total assets decreased perceptibly—from 4.4 percent in 1993 to 2.9 percent last year. In the second half of 1994, however, this indicator rose perceptibly: The 1.98-fold increase in assets was accompanied by a 2.64-fold increase in bank profit. This might have been due to the accounting procedures in banks, according to which the cumulative differences in exchange rates from the beginning of the year are not included in profit until the end of the year, producing understated profit figures in the first half.

Aggregate Indicators of 100 Largest Banks

Date	Assets	Capital	Capital/assets	Profit	Profit/assets	Deposits	Deposits/assets	Credits	Credits/assets
1 Jan 95	261,442,182	20,623,101	7.89%	765,587	0.029,283,239	30,015,711	11.48%	54,131,025	20.70%
1 Jul 94	131,709,945	10,575,074	8.03%	289,601	0.021,987,639	14,028,867	10.65%	37,760,026	28.67%
1 Jan 94	71,227,421	4,342,453	6.10%	311,656	0.043,755,101	11,476,911	16.11%	15,326,778	21.52%

The average correlation of each bank's profit to its assets for the same 100 banks on 1 January 1995 was 3.61 percent, however, and this, combined with the negative correlation between assets and this relationship, suggests the decreasing profitability of assets, and primarily in the case of the largest banks. The average profitability of the assets of the top 100 banks on 1 January 1994 was 8.29 percent.

Now we will move on to an analysis of the overall structure of the liabilities of commercial banks. Last year there was a tendency toward a higher percentage of the commercial banks' own funds in their liabilities. Whereas at the end of 1993 the banks' own funds represented 6.1 percent of the comprehensive balance, at the end of 1994 total capital represented 7.9 percent of the total assets of the top 100 banks. The maximum backing of liabilities with capital, however, was indicated in the results of the first half of the year, when capital represented 8.03 percent of the comprehensive balance.

The reduction of the proportional amount of capital in liabilities by the end of the year probably resulted from the introduction of the mandatory internal loan reserve, which is not included in calculations of capital (which seems rather odd, because account 944—securities devaluation reserve—is included in calculations of capital and seems comparable to us) even though this increases bank expenditures considerably. This might also be due to the increase in the proportional amounts of inter-branch and budget resources discussed above.

The comparatively weak positive correlation between the relationship of capital to assets and total assets suggests the absence of clear tendencies toward the stronger backing of assets with capital for the largest banks. In the data for 1 July, however, this correlation is somewhat higher. This suggests that banks with average or below average assets were responsible for the overall growth of capital.

Ruble deposits occupy a prominent place in the total resources attracted by the banks. These deposits were equivalent to 11.5 percent of the total assets of the top 100 banks at the end of 1994. This was slightly higher than in July of last year, but it was much lower than the figure at the end of 1993 (16.1 percent).

This could be a result of the greater interest of private individuals in foreign currency deposits and the new opportunities enterprises had at the end of last year for investment in state securities (state short-term bonds and treasury bills). Deposits represent a particularly high percentage of the comprehensive balance of the Savings Bank (on the strength of private deposits) and the largest regional banks (apparently on the strength of the funds of the large enterprises in those regions).

The opposite relationship of proportional deposits to total assets in the comprehensive balance was recorded in the middle of the year. With the exception of the Savings Bank, which has traditionally ranked high in terms of this indicator, the amount of proportional deposits in the balance increased in general when total assets decreased.

By the end of last year this situation had changed, and this was probably due to the rising value of deposits and the greater concern of the population about the reliability of banks after the well-publicized scandals involving finance companies and bankrupt banks. Now the population at large and businessmen choose to deposit their temporarily available funds in solid banks, and the correlation between assets and proportional deposits has crossed over to the positive side.

The reader may be interested to learn where banks prefer to distribute the funds they receive from their clients. One helpful indicator is the total amount of ruble credits extended to final borrowers. At the end of last year the proportional credits extended to organizations and citizens had decreased to 20.7 percent (from 21.5 percent at the end of 1993). The figure was much higher at the end of the first half of last year—28.7 percent.

In all probability, this was due to the general reduction of interest rates on ruble loans in the middle of last year. There was also the uncertainty of bank personnel with regard to the prospects for a rise in the dollar exchange rate and, consequently, the transfer of funds from the foreign currency sector of crediting to the ruble sector.

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Summing up the results of our analysis, we must take note once again of the heightened interest of the population and business community in the realiability of banks, so that they will not be left "penniless" when banks disappear along with the money in their deposit and settlement accounts.

*Price Dynamics of Consumer Goods for 14-20 March 1995

954E0830A Moscow BIZNES I BANKI in Russian No 13, April 95 p 9

[Unattributed report: "Russian Federation Goskomstat (State Statistics Committee) on Price Dynamics for Consumer Goods and Services"]

[FBIS Translated Text] In the period **from 14 through 20 March,** the rise in prices for consumer goods and services came to 102.5 percent; this included 102.2 percent for foodstuffs, 102.9 percent for nonfood goods, and 103.2 percent for paid personal services.

The highest increase in prices for consumer goods and services over the week was recorded in the cities of the West Siberian Region (3.7 percent), and the lowest, in the Volgo-Vyatka and Central Chernozem regions (1.7 percent).

Increase in Prices for Consumer Goods and Services (in percentages of level of previous report date)

	Foodstuffs	Nonfood Goods	Paid Services
21 Feb	2.3	2.7	7.2
28 Feb	1.6	1.8	0
6 Mar	2.5	2.5	3.8
13 Mar	1.7	1.7	2
20 Mar	2.2	2.9	3.2

During the past week, the rate of growth in prices for most foodstuffs increased. Prices for fish, bread made of wheat flour, cabbages, carrots, and apples rose by 3-4 percent. Prices for bread rose by 20-30 percent in Bryansk, Tver, Stavropol, and Barnaul; and for vegetables—in Syktyvkar, Ukhta, Bryansk, Pskov, Tolyatti, Barnaul, and Novosibirsk. Prices for animal fat, margarine, and potatoes remained at virtually the same level; prices for eggs declined somewhat.

The cost of the set of 19 foodstuffs averaged 154,600 rubles in Russia as a whole. The highest cost continued to be in the cities of the Far East and Eastern Siberia, and the lowest—in the cities of the Volga Region. The differentiation between the highest and the lowest costs of the set based on cities was a factor of 3.6.

Nonfood Goods. The rate of growth in prices for these goods in the period from 14 through 20 March of this year was higher than for foodstuffs. The greatest increase (by 4-5 percent) affected clothing and shoes for spring and summer, cotton and silk fabrics, goods for newborns and cotton bedding, and medicines. Detergents, furniture, and dishware became 2.5-3.5 percent costlier.

Paid Personal Services. In the period from 14 through 20 March, the greatest increase in rates was recorded for passenger transport services (5.6 percent). The cost of riding on urban transport and suburban trains and air transport rose by 4-7 percent. The cost of riding the subway increased by a factor of 1.5 in Moscow, while rates for riding on suburban trains rose by a factor of 2-2.5 in Ivanovo, Rostov-na-Donu, Orenburg, Omsk, Irkutsk, and Birobidzhan.

Hope, Alarm Mixed in Jan-Mar Economic Data

MM1704130295 Moscow IZVESTIYA in Russian 15 Apr 95 p 1

[Article by Otto Latsis: "Statistics Show Country Emerging From Crisis, But Life No Easier As Yet"]

[FBIS Translated Text] Not once in the three or so years of reform have the results of economic development inspired so much hope that we are emerging from crisis as they have in the past quarter. And not once in all the years of reform have they inspired so much alarm. This is shown by the figures contained in the Russian Federation State Committee for Statistics' recently published operational report for January-March.

The country's GDP fell by 5 percent on the same period last year (in the first quarter of last year it was 17 percent down on the same period of 1993). Industrial output fell by 4.5 percent on the same period last year (in the first quarter of last year it was 23 percent down). Whole sectors of industry have emerged showing evidence of production growth—of 9 percent in the chemical and petrochemical industries, and of 14 percent in ferrous metallurgy. The recession in machine building is virtually at an end—its output was just 1 percent down on the first quarter of last year, and there has been a notable revival in the production of automobiles, tractors, and certain kinds of equipment. There has been a tangible increase in the production of plywood, paper, cardboard, and commercial pulp. On the whole, the industrial slump is clearly on the wane (with the exception of light industry, where there continues to be a wholesale decline in production in all main subsectors).

The prospects for financial stabilization are even more encouraging. Whereas in January the consumer price index was up 17.8 percent (on the previous month), in February it was up 11 percent, and the figure in March was 8.9 percent. And monthly money-supply growth fell sixfold on the previous quarter, according to available information, to hit the lowest level in the entire period of reform. This makes it possible to predict an unprecedented fall in inflation in early summer. We would add that all this has been achieved at a time when the talks with the IMF about a line of credit have been delayed—as a result of which $1.5 billion that had been included in budget calculations for the first quarter has not been received.

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Finally, our trade balance with the countries of the far abroad is in the black to the tune of $2.7 billion as opposed to $2 billion a year ago. The increase in the trade surplus has been by no means obtained by a squeeze on imports—they were up 14 percent. But exports were up 16 percent.

Unfortunately, the last quarter also had plenty of records of a different kind. February saw a record for the monthly increase in unemployment—128,000. The increase in the numbers of unemployed over the quarter was also a record—284,000. These are only the people with official unemployed status—the total exceeds 1.9 million. But if we calculate things using International Labor Organization methods (that is, counting everyone without work and actively looking for it), the number of unemployed comes to 5.6 million—or 7.5 percent of the active population.

Admittedly, rising unemployment is an almost inevitable concomitant of falling inflation. We can take some consolation in the fact that we have to get through this stage anyway—so better to do so quickly. After all, a fall in inflation will make it possible to restore investment activeness and create new jobs. But this consolation does not apply to other figures in the statistics.

Nominal average earnings in March were 355,000 rubles [R]—having more than doubled over the year. But the retail price index more than tripled during the same period. As a result, real earnings over the year fell by 33 percent on average. The only larger indicator was the fall in real earnings in 1992, but then we had considerable compensation in the shape of full shelves in the stores, which had been empty in 1991. We are now making a comparison with 1994, when there were hardly any fewer goods in the trading system than there are today—so we are indeed talking about a real decline in the buying power of average earnings.

Admittedly, a certain (considerably smaller) fall in real earnings was observed both last year and the year before. But then it was more than covered by the powerful growth in per-capita real incomes—through second jobs, income from personal subsidiary farms, interest payments on deposits, and income from entrepreneurial activity. This year for the first time there has been a qualitative change for the worse in this sphere too—disposable real income fell by 4 percent on the first quarter of last year (over last year as a whole this indicator increased by more than 15 percent). It is hardly surprising that retail trade turnover in the last quarter was 10 percent down on a year ago and 16-percent down in March—whereas in the first quarter of 1994 it was 3 percent higher than it had been a year previously.

The rise in living standards, which had continued (following the slump in 1992) for more than 18 months, was replaced by a decline last October—following "Black Tuesday," when the ruble's collapse triggered a rise in prices. That was the penalty we paid for the monetary injections of last summer. But that effect should have tailed off by December-January. We are now paying for something else—for the hostilities in Chechnya.

Conference Debates Economic Reforms

MM1804132495 Moscow IZVESTIYA in Russian 18 Apr 95 p 2

[Report by Aleksey Portanskiy: "Will Fourth Attempts at Financial Stabilization in Russia Be the Last?"]

[FBIS Translated Text] The international conference "Reforms in Russia: Established Interests and Practical Alternatives" which has been under way in Moscow for three days has confirmed that the subject of reforms in the former communist countries will worry the best minds in various countries for a long time yet.

Why since World War II has an "economic miracle" been observed in West Germany and Japan while in many former communist countries the state of the economy has merely deteriorated since the fall of the former regimes? Why in West Germany and Japan has there not been the rampaging corruption and crime which are now occurring in our country? Why, finally, has there been no trend toward collapse in those countries (Germany, on the contrary, has sought and achieved reunification) while countries like Yugoslavia, Czechoslovakia, and the USSR have disintegrated in our time and Russia is suffering from separatism?

Mancur Olson, the eminent U.S. economist and Maryland University professor who offered these questions to the attention of those assembled, tried to give the audience his own answers as well. The "economic miracle" in West Germany and Japan, in Mr. Olson's opinion, was largely due to the fact that both the fascist governments themselves and the allies' occupying authorities destroyed a large part of the lobbies and cartels existing in those countries. But with the start of transformations in the former communist societies, especially in Russia, the arena was really swamped with powerful lobbies inherited from the previous regime.

Gaydar's first government nonetheless managed to take a serious step in reforming the economy since after the August 1991 putsch the lobbyists were lost for a while. Now they have regained their strength.

Lobbying is an evil throughout the world. But our lobbying, born in Stalin's time, mixed with inflated reports and extravagance, has proved more dangerous than others. The result is well known: Major industrial enterprises and sectors have obtained substantial grants, subsidies, and credits from the center which ultimately are the result of emission by the Central Bank.

The main reason for the rampaging corruption in post-communist societies, according to M. Olson, is the inevitable degeneration of the system created by Stalin. With the departure of the leader and the Politburo which ruled after him which, in the professor's apt metaphor,

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were a kind of "established bandit" constantly plundering the country, others came who continued to plunder in their own way.

All the speakers agreed that the growing corruption and crime are a serious danger to the Russian reformers. But here too we should not descend into despair. As Yegor Gaydar, who visited Japan recently, noted, his very authoritative interlocutors in that country recalled that their postwar economic growth was also accompanied by unprecedented corruption. Hence the encouraging conclusion that corruption does not exclude economic growth.

What is happening in Russia right now and what are the actual chances of emerging from the constant crisis? According to Andrey Illarionov's analysis the fourth attempt at financial stabilization is now being made in the country, if we take the measures began by the Soviet government of Valentin Pavlov in the first half of 1991 as the first attempt.

To show in greater contrast the transition toward stabilization which has now emerged, Premier Anatoliy Chubays announced that early in the year the financial situation was so dangerous that it threatened something far more terrible than October's "Black Tuesday." Suffice it to say that in January there were moments when the currency in the Central Bank could have been enough for only three days. The adoption of the well known tough measures in the foreign economic and budget spheres drastically altered the situation: Whereas in January the rate of inflation was 17.8 percent in the first half of April it was 3.7 percent and the reduction is continuing.

But the future is far from cloudless. The debts under the government's defense order are enormous, there has been a deterioration in the first quarter in the situation with regard to the population's real incomes. The reduction of inflation will give rise to inevitable bank bankruptcies which will be a difficult new ordeal for Russia's economic life in the middle of the year. Nonetheless, A. Chubays stressed, in the entire history of Russian reforms the country has never yet been so close to normalization as it is today.

The attainment of low inflation figures by purely monetarist means will not give us the desired stabilization, Grigoriy Yavlinskiy believes. The main obstacle is the institutional basis of our economy in which there is no large private sector, no bankruptcies, no competition, and therefore our money is not entirely money. We have already managed to reduce the level of inflation but then there was a collapse. So, in using monetarist policy as the main instrument, Yavlinskiy warns, "we will always be between 5 percent a month and 11 October (that is, 'Black Tuesday'—A.P.)."

Consumer Price Inflation Through 3 April Detailed

MM1304110395 Moscow ROSSIYSKAYA GAZETA in Russian 12 Apr 95 p 3

[Report "based on figures from the Russian Federation Government Center for the Current Economic Situation Price Analysis and Forecasting Administration" under the rubric "The Week's Prices": "27 March through 3 April. Snowdrops Grow and Price Lists Mature"]

[FBIS Translated Text] The overall inflation index for the week stood at 101.8 percent and at 140 percent for the period since the beginning of the year. The average cost of the basket of 19 most important food products stood at 159,000 rubles [R] per month. Food prices and prices for nonfood products increased by an indentical amount—1.6 percent. The cost of paid public services increased by 3.1 percent.

The biggest increase in the cost of basic consumer goods and services—2.5 percent—was recorded in the Northwest region. Prices in the Central Chernozem, Ural, and Far East regions grew by a little over 2 percent. Whereas the cost of basic goods and services in the North Caucasus increased by less than 1 percent in the course of the week.

Vegetarians, Pull in Your Stomachs!

Of the types of food commodities monitored, fruits and canned goods made from fruit and berries increased in price most substantially—by 3.7 and 3.3 percent respectively; vegetables also saw big increases—2.8 percent. Prices of bread and flour products grew markedly—by 2.4 percent. In addition, the price of cognac and champagne increased by 3 percent and the cost of meals in public catering enterprises increased by 2.7 percent. Prices of dairy products and vegetable oil changed by less than 1 percent, while prices of butter and eggs remained at last week's level.

The biggest increase in the cost of food products was recorded in the Northwest region, where in the course of the week vegetables became 12 percent dearer, bread and flour products 6 percent dearer, fruit and alcoholic drinks 4-5 percent dearer, and pasta and confectionery products 3 percent dearer. Prices for food products in the cities of eastern Siberia and the Far East increased by 2.3 percent and 2 percent respectively. In these regions a large gap between prices for identical food commodities was recorded. For example, in the east Siberian region a kilogram of wheaten bread made from the highest grade of flour cost R6,775 in Bratsk, but R935 in Dudinka (a gap of 600 percent). In the Far East region the price of a kilogram of pasta in Petropavlosk-Kamchatskiy stood at R10,104, while in Anadyr it cost R1,000 (a gap of 900 percent).

The basket of 19 most important food products has become 50 percent dearer since the beginning of the year. The biggest increase in the cost of the basket over

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the past week was recorded in Yakutsk and Petropavlovsk-Kamchatskiy—6.7 and 5.8 percent respectively. At the same time the increase over the week in the cost of the basket in half of Russia's oblast and republic centers came to less than 1 percent.

If They Don't Smoke, They Spin

Among the nonfood commodities gasoline continues to become more expensive at an increasing rate. In the past week gasoline prices grew by 4.5 percent. Fabrics, crockery, medicines, cycles, and tobacco products became 2-3 percent dearer.

The difference in the rate of the change in the prices of nonfood commodities between the economic regions was insignificant—1.4 percent. The growth of prices fluctuated between 1.1 percent in the North Caucasus region to 2.5 percent in the Northwest region. In cities in the Northwest region the biggest price increases were for gasoline—18 percent; certain kinds of footwear, tobacco products and textiles—5.7 percent; and china and earthenware crockery, jewelry, school and writing accessories, and stationery goods—around 4 percent.

'Favoritism' Alleged in Bank Share Deal

MM1204153795 Moscow IZVESTIYA in Russian 11 Apr 95 p 2

[Report by Ivan Zhagel: "However the New Deal of the Century Ends, the Government Will, All the Same, Be Accused of Favoritism"]

[FBIS Translated Text] A project for a major financial deal between the Russian Government and the commercial banks is continuing to develop apace. Under this deal the banks can secure the right to control packages of shares in enterprises being privatized in return for a credit of several trillion rubles. We have learned that the ONEKSIMbank has passed to the government documents setting out the basic principles of this financial operation.

I will remind you that just over a week ago none other than ONEKSIMbank President Vladimir Potanin proposed this deal—credit in exchange for the right to control shares—at a session of the Cabinet of Ministers, and he did so on behalf of a consortium of banks, which also includes "Menatep," Inkombank, "Imperial," the Stolichnyy Savings Bank, and other credit establishments. At the time quite weighty arguments in favor were advanced.

Having secured a trillion-ruble credit from the banks, the government would no longer have to conduct a massive sale of shares this year in its search for money for the budget—which could lead to the collapse of the stock market. Second, the money would come not at some future time but practically right away. Finally, the shares would not have been sold but transferred to a trust administration, and the government could get them back if it so wished.

It is no coincidence that Prime Minister Viktor Chernomyrdin, on the whole, greeted the consortium's proposal approvingly and entrusted it with working out this question in greater detail within a two-week period. As stated above, the package of documents arrived on the government desk ahead of schedule.

We have managed to familiarize ourselves with this package, which in fact consists of three main documents. First, the agreement setting up the consortium, signed by the banks' leaders and apparently open to all other credit establishments. Second, the statute governing the consortium's activity. Third, the package includes the concept, set forth in detail, of the banks' participation in monetary privatization.

Naturally, the last document is the most important one. Without going into its details, I will say that it proposes competitive trading in share packages, which will be transferred to a trust administration. The government will set the initial prices of the shares, which must not be undercut, and all the consortium's members will have access to the trading. Incidentally, it should at once be pointed out here that, if the trading is competitive and open, then it is incomprehensible why a consortium is needed at all.

I will also add that the consortium had not yet had time to be formed before a definite split within it became apparent. Literally on the eve of the handover of the package of documents to the government I managed to speak with "Menatep" President Mikhail Khodorkovskiy, who pointed out that the essence of the proposals being discussed in the mass media distorts the bank's intentions. "Menatep" has no intention at all of lending the government money for shares for a long period but would like simply to sell these shares. It can, at best, be a question of short-term credit—for three months, say—until the bank has prepared for and started conducting the relevant trading. In other words, "Menatep" wishes to be like the investment banks which exist abroad and through which shares in state enterprises are sold, and there is no question of anything else.

Discrepancies are also to be observed in the positions of the other banks in the consortium. But if the government's proposals prove advantageous, then unity will naturally be achieved very soon. It is no coincidence that a number of specialists accuse the consortium of having been set up to secure one-sided advantages. Assumptions have been made that the value of the share packages being transferred to a trust administration will be understated and that the consortium will get the tastiest morsels at knockdown prices—which could give rise to a bigger scandal than all the previous privatization miscalculations did. Nor do many people believe that the government will find the money to buy them back, so that the enterprises being privatized will, in the end, be transferred to the banks' ownership.

But the opponents' most serious argument, in my view, is that the banks simply do not have the trillions that the government needs, still less for a long period. This still further increases suspicions that the whole operation has been undertaken to take possession of several high-revenue enterprises, whose shares the consortium could secure the monopoly right to buy.

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To be fair, it should be said that a number of specialists are in no hurry to totally reject the idea. For example, Bella Zlatkis, director of the securities department of the Ministry of Finance, has allowed the theoretical possibility of realizing the project. This possibility is founded, on the one hand, on the fact that a number of banks are prepared to give credits to the government, while, on the other, the government is very uncertain about the prospects of selling the shares. B. Zlatkis did, however, confirm the problematic nature of making a real valuation of the share packages—which could, in the end, prove an insurmountable obstacle to the project's implementation. Even if the shares' value is not understated, the government will, all the same, be accused of corruption and favoritism, and it certainly does not want this before the parliamentary and presidential elections.

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